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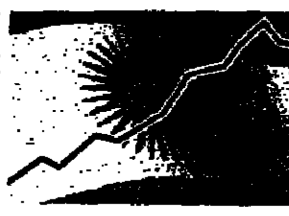

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FINANCIAL TIMES

Europe's Business Newspaper | WEDNESDAY JUNE 22 1994 | D8523A

French government considers selling part of Renault

The French government is considering a partial privatisation of Renault, the state-owned car group, by the end of this year, according to Philippe Auberger, a senior member of the French National Assembly's finance committee. The move follows the collapse of merger plans with Volvo of Sweden at the end of last year. Page 17

Procter & Gamble given go-ahead: The European Commission cleared the way for Procter & Gamble, the US consumer goods multinational, to take over Schickedanz, a leading German maker of sanitary pads. Page 16

Colonia, Germany's third-biggest insurance group, confirmed it was holding talks which could lead to an international alliance for Cologne Re, its reinsurance subsidiary. Page 17

Lotus Development shares plunged more than a quarter in New York following the US software maker's gloomy sales and profits projections. Page 17

Mediobanca, the powerful Milan merchant bank, postponed its L1,500bn ($935m) rights issue on Monday following the decline in its share price. Page 17; Details, Page 18

Music boss trebles salary package:

Jim Fifield, who heads Thorn EMI's music business, has trebled his salary package to around £13.5m ($20.5m) – a figure more than 23 times higher than the package paid to the company chairman, Sir Colin Southgate. The package consists of a basic salary of £2.105m and a performance-related bonus of £5.045m, £1.5m of which he is to take in ordinary shares. Page 18

European telecoms liberalisation: The European Commission will liberalise the supply of telecommunications if this week's heads of government meeting in Corfu endorses the principle of competing networks. Page 2

US trade deficit rises 22%: The US trade deficit in goods and services rose a sharp 22 per cent in April to $8.4bn as exports weakened, the government said. Page 9; Weak dollar complicates Greenspan's task, Page 9

France presses UN over Rwanda: France last night pressed a sceptical United Nations Security Council to sanction the despatch of up to 2,000 French troops to Rwanda to protect civilians caught in the vicious civil war. Page 6

Russia to sign deal with Nato: Russia will today end nearly six months of uncertainty by signing up to the Partnership For Peace, the military co-operation programme designed by Nato. Page 3; Russia's 'economic calm' set to end, Page 4

Foreign investors shun British Coal: The UK government's efforts to attract foreign bidders for British Coal appear to have largely failed after it emerged that at least 23 of the 25 companies considering tenders for the corporation's five core regions are based in the UK. Page 10

Hosokawa denies he lied: Morihiro Hosokawa, Japan's former prime minister, denied that he had lied to parliament over a loan repayment and share purchase. Page 6

Sweden set to oust Bildt: For Sweden, joining the European Union involves abandoning a deeply entrenched aversion to big power blocs, and prime minister Carl Bildt is set lose next month's general election over the issue. Page 3

Müller to quit bank job: Lothar Müller, a Bundesbank council member, will resign from his position as head of the regional central bank in Bavaria at the end of June.

UK rail network shut down: Britain's railway network is shut down today because of a strike by signalling staff. Two further 24-hour stoppages are planned. Page 10

Graf beaten in first round: Steffi Graf last night became the first Wimbledon women's defending champion to lose in the first round when she was beaten 7-5 7-6 by unseeded American Lori McNeil.

Closing British Fund prices were unavailable yesterday as a result of technical problems at the London Stock Exchange. FT-A UK gilt indices were also affected.

■ STOCK MARKET INDICES		
FT-SE 100:	2940.2	(-30.9)
Yield	4.21	
FT-SE Eurotrack 100	1303.48	(-2.95)
FT-SE-A All-Share	1478.03	(-0.9%)
Nikkei	20,813.16	(-338.87)
New York: lunchtime		
Dow Jones Ind Ave	3707.82	(-34.88)
S&P Composite	450.83	(-4.58)
■ US LUNCHTIME RATES		
Federal Funds:	$4\frac{1}{4}$%	
3-mo Treas Bills: Yld	4.293%	
Long Bond	$85\frac{1}{32}$	
Yield	7.505%	
■ LONDON MONEY		
3-mo Interbank	$5\frac{1}{4}$%	(same)
Liffe long gilt future:	Jun $99\frac{1}{4}$	(Jun $99\frac{15}{32}$)
■ NORTH SEA OIL (Argus)		
Brent 15-day (August)	$17.58	(17.37)
■ Gold		
New York Comex (Aug)	$396.3	(390.9)
London	$390.7	(390.4)

■ STERLING		
New York lunchtime:		
$	1.54385	
London:		
$	1.5374	(1.5393)
DM	2.4612	(2.4606)
FFr	8.4123	(8.4099)
SFr	2.0747	(2.0752)
Y	155.623	(156.957)
£ Index	79.9	(80.0)
■ DOLLAR		
New York lunchtime:		
DM	1.593	
FFr	5.4475	
SFr	1.34325	
Y	100.3	
London:		
DM	1.6009	(1.5988)
FFr	5.4718	(5.4636)
SFr	1.3495	(1.3482)
Y	101.225	(101.97)
$ Index	64.0	(64.1)
Tokyo close Y 102.15		

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11		
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30		
Bulgaria	Lv25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50		
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00		
Czech Rp	CZK50	Israel	Shk8.00	Norway	NKr17.00	Spain	Pta225		
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16		
Egypt	E£5.00	Japan	Y600	Pakistan	Rs40	Switz	SFr3.30		
Finland	FM14	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00		
France	FFr9.50	Kuwait	Fils.625	Poland	Zl 32,000	Tunisia	Din1.500		
Germany	DM3.50	Lebanon	US$1.50	Portugal	Esc225	Turkey	L30000		
						UAE	Dh12.00		

US group genetically engineered high-nicotine tobacco

By Jeremy Kahn in Washington and Tony Jackson in London

The US subsidiary of Britain's BAT Industries is using a genetically engineered form of tobacco with high nicotine content in some of its cigarettes.

Brown & Williamson Tobacco publicly admitted the use of the high-nicotine tobacco yesterday after Mr David Kessler, head of the US Food and Drug Administration, accused it in Washington of secretly developing the strain.

Mr Kessler told a House of Representatives subcommittee that officials at B&W had instructed contract researchers who helped create the genetically altered tobacco plant, codenamed Y-1, to mislead his agency about its existence.

He said Y-1, which is grown in Brazil, contained more the twice the amount of nicotine found in normal tobacco plants. Nicotine, a toxic substance, is a stimulant in small doses.

Mr Kessler's accusation is the latest in a series of potentially damaging charges against the tobacco industry. The House subcommittee is seeking to determine whether the FDA can legally regulate tobacco as a drug.

The FDA chief also said some chemicals on a list of tobacco additives released by six cigarette manufacturers in April were used to increase nicotine levels.

Tobacco companies, for example, routinely added ammonia to cigarettes as an "impact booster", doubling the amount of nicotine a smoker inhales.

"Industry representatives have repeatedly stated for the public record that they do not manipulate nicotine levels in cigarettes," Mr Kessler said. "The findings lay to rest any notion that there is no manipulation."

B&W officials admitted privately to the FDA last week that this high-nicotine tobacco had been used in its Raleigh, Richland and Viceroy brands, according to Mr Kessler. These cigarettes were "distributed nationally in 1993".

B&W said last night that Y-1 had been originally developed by the US Department of Agriculture in the late 1970s, under instructions from the Carter administration to find a tobacco which would yield less tar for a given amount of nicotine. The company had taken up the work applied unsuccessfully for a patent for Y-1 in 1991.

It claimed the brands in which Y-1 was used represented less than 0.5 per cent of the total US market last year. Some brands containing Y-1 contained less nicotine than other blends for the same products, the company said.

Mr Martin Broughton, BAT's chief executive, said last night that cigarettes containing Y-1 had proved unpopular with smokers and had been largely withdrawn.

Philip Morris chiefs committed to change, Page 17

US currency falls to postwar low against yen

Dollar slides as traders test resolve of central banks

By Philip Coggan and Motoko Rich in London

The dollar fell to a postwar low against the yen yesterday as foreign exchange markets tested the willingness of the world's central banks to intervene in support of the US currency.

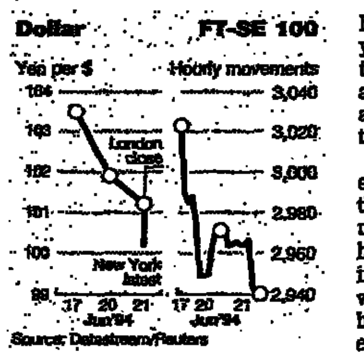
In late European trading, the dollar dipped below Y100, reaching a new low of Y99.85. While the dollar later bounced above Y100, it failed to climb back to its previous low of Y100.35. The US currency also briefly fell below DM1.59, setting a nine-month low against the D-Mark.

Central banks last stepped in to support the dollar in early May, when it had appeared to be testing the Y100 level. Following the intervention, the dollar gradually climbed back to Y105, but in recent days it has been falling steadily against the yen and the D-Mark.

Analysts warned that without central bank intervention this time, the dollar could quickly fall even further.

Agency reports quoted a US Federal Reserve official as saying that the bank was unlikely to respond to the dollar's decline by increasing interest rates. The unnamed official blamed rising US inflationary expectations and the widening trade deficit for the dollar's fall.

Yesterday's plunge came after figures from the US showing that the April trade deficit widened to $8.4bn from a revised $6.87bn in March. However, the key trade gap with Japan actually narrowed to $5.48bn from $5.8bn in March.



Earlier in the year, traders had believed that the US administration was trying to drive down the dollar against the yen to exert pressure in the trade talks with Japan. Mr Lloyd Bentsen, US treasury secretary, has since tried to dispel the impression that the US is happy to see the dollar fall.

However, a recent change in sentiment towards the D-Mark, on the grounds that German interest rates may have reached a low, has increased pressure on the US currency.

Fears that the Japanese government might lose a vote of no confidence also hit the dollar, since a change of administration in Tokyo might make resolution of the trade dispute more difficult.

The dollar's fall did little to help sentiment on Wall Street yesterday. By shortly after 2pm, the Dow Jones Industrial Average had dropped 54.22 to 3,687.68, after 34-point declines on each of the previous two days' trading.

Europe's markets closed too early to reflect the full impact of the dollar's decline, but continued to be driven down by fears of higher US interest rates and inflationary pressures. Early weakness in the US Treasury bond market also had a knock-on effect on European bonds.

Ms Justine Roberts, global strategist at SG Warburg, added that a lower US currency was bad for the profits of many European companies with dollar earnings.

In London, the FT-SE 100 index fell 30.9 to 2,940.2, ending only nine points above its low for the year. In Germany, the DAX index, which fell 4 per cent during Monday's official trading, yesterday managed a 14-point rally to 1,983.27. But in after-hours trading, it dropped back to 1,957.08.

Earlier, eastern stock markets also showed signs of negative sentiment. In Tokyo, the Nikkei 225 Index dropped 338.87 to 20,813.16 while in Hong Kong the Hang Seng Index fell 140.40 to 8,857.78.

Weak dollar complicates Greenspan's task, Page 9
US trade deficit up, Page 9
Lex, Page 16
Bonds, currencies and world stocks, second section

Pop star George Michael arrives at the High Court in London yesterday to hear that he has lost his legal battle with Sony to have his contract ruled unenforceable. He claimed the judgment effectively upheld "professional slavery". Report, Page 18; Analysis, Page 14 PA

Council of Ministers refuses to release vote records

By David Gardner in Luxembourg

The Council of Ministers, the most powerful European Union institution where ministers of the 12 EU member states decide on hundreds of European laws that are later put on national statute books, has no record of how its members have voted.

In a letter to the Financial Times turning down a request for voting records, the general secretariat of the Council says it cannot provide them because it does not compile them.

The rejection has been contested by the Netherlands and Denmark, and reservations about the decision have been expressed by the UK. Voting records do exist, but they are contained in the minutes of meetings, which the Council has refused to release.

The EU system of qualified majority voting (QMV) brought the UK and Spain into dispute with their partners this spring in the worst row since the crisis over ratification of the Maastricht treaty.

However, the often tendentious claims made during that dispute could not be tested against a public record of how majority voting worked in practice.

Such a record would show that the EU culture of consensus means very few legislative proposals are put to a vote, in order to avoid isolating member states.

Continued on Page 16
EU fails to keep 'open government' pledge; Delors brushes off jibes, Page 2

Japanese recovery stronger than expected in first quarter

By William Dawkins in Tokyo

Japan's economy recovered more strongly than expected in the first three months of this year, with a 3.9 per cent annualised increase in gross domestic product.

The rise of 1 per cent over the previous three months, the best for three years, shows that the "worst period is over", said Mr Tsutomu Tanaka, vice-minister of the economic planning agency.

However, the stagnation of the economy was reflected in the meagre 0.03 per cent growth in the fiscal year to March, the worst performance since zero growth in 1974, in the aftermath of the first oil price shock.

Most private sector economists are slightly more cautious in their forecasts than the EPA, and believe the economy might contract slightly in the second quarters, as it did after first-quarter growth in the past two years.

Market consensus is for 0.7 per cent growth in GDP in the current calendar year, below the government's target of 2.4 per cent, which even officials privately admit is high. But Mr Kazuaki Harada, chief economist at Sanwa Bank Research Institute, said: "The economy passed the bottom in the third quarter of 1993."

German money supply grew at a lower than expected annual rate of 13.7 per cent in May, down from 15.4 per cent in April, and by 0.5 per cent between April and May, the lowest month-on-month increase since November last year.

The figures were encouraging for the Bundesbank but economists warned that there was no chance the bank would meet its 4-6 per cent target for M3 growth for the year. Page 16

The main features of the first quarter's stronger than expected rise were a 0.8 per cent quarter-on-quarter increase in personal spending and 3.7 per cent rise in exports. Those are unsustainable, but that does not threaten an overall gentle upturn, analysts said.

Private sector demand recovered by 0.2 per cent in the first quarter and public sector demand expanded by 0.6 per cent, indicating that the economy is still being propped up by the effect of previous governments' four pump-priming packages, worth Y45,000bn ($441bn), over the past 18 months. Among the uncertainties is the value of the yen, which yesterday rose sharply against the dollar, to close in Tokyo at Y102.15, up from Y102.58. An unexpected jump in the Japanese currency, to nearly Y100 to the dollar last August, helped to choke recovery last year.

Long-term interest rates have also risen in the past few days.

Another imponderable is the impact of a Y5,850bn income tax rebate due this month. That represents 1.2 per cent of this year's GDP, the EPA estimates, but cautious Japanese consumers may save rather than spend the money.

The EPA announced that its leading index of economic indicators rose from 76.9 in March to 80 in April, the fourth consecutive month above 50, the dividing line between growth and contraction. The index, while sometimes erratic, is designed as a barometer of economic conditions three to six months ahead.

Meanwhile, the Finance Ministry said corporate confidence continued to recover in the three months to June, for the second quarter in a row. Its business survey index, the balance between businesses reporting an improvement and a decline, stood at minus 7.7 per cent, a 4.7 point improvement on the first quarter.

CONTENTS

 LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

The much-vaunted policy on openness is now in such confusion as to risk bringing the Union further discredit

EU fails to keep pledge on open government

By David Gardner

France's National Assembly recently calculated that nearly two-thirds of the laws it has considered in recent years originated from decisions taken by the Council of Ministers of the European Union.

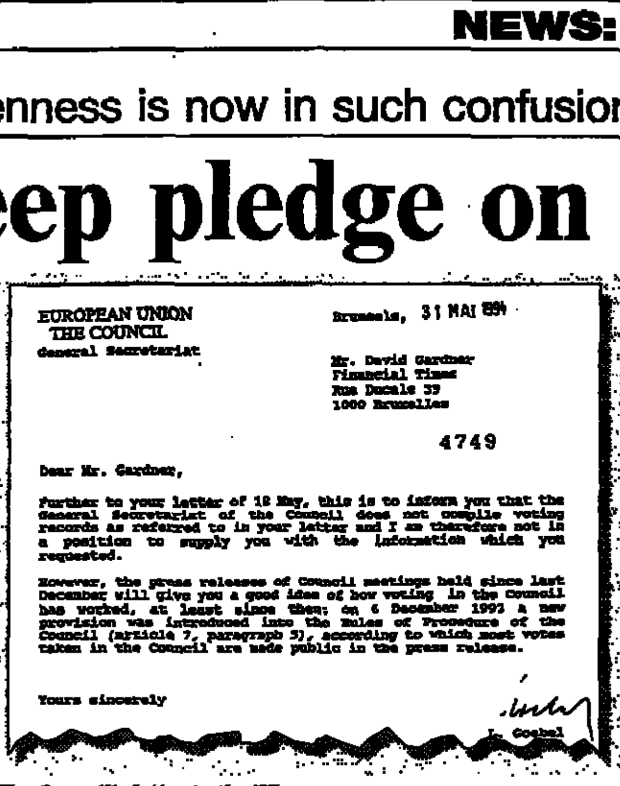
Given the torrent of nearly 300 laws which has flowed from Brussels since 1988 alone to put in place the single European market, this is only mildly surprising.

What is surprising, however, is that the EU Council – the arena of serial voting by elected national ministers on behalf of 340m people – claims not to be able to give even the sketchiest account of how its members lined up on this corpus of Euro-law, now mostly transposed on to national statute books.

Yet this is the claim made to the Financial Times by the Council bureaucracy, or general secretariat, while rejecting in writing the paper's request for selected voting records of the 12 member states since 1989 on foreign affairs, the single market, social affairs, and agriculture. The request was made under the Council's new *code on public access to information*. It was turned down by the secretariat but is now in the hands of the Council itself after an appeal.

Voting records do exist. But they are contained in the minutes of the meetings which decided the proposals, and these the Council refuses to release. The much-vaunted new code, passed last December after EU leaders took fright at the public alienation from Europe revealed by the ratification crisis over the Maastricht treaty, is in such confusion as to risk bringing the Union further discredit.

The "openness" policy was at its high tide intended to emulate the Scandinavian tradition of open government, or at least the US Freedom of Information Act. It originally proclaimed full right of public access to all EU information, except where national security, monetary stability, commercial confidentiality, privacy, or relations with non-EU countries could be endangered. But last December, a majority of the 12, acting on civil service advice, slipped in a discretionary clause for refusing access "to protect the confidentiality of the Council's proceedings".



EUROPEAN UNION
THE COUNCIL
General Secretariat

Brussels, 31 MAI 1994

Mr. David Gardner
Financial Times
Rue Ducale 39
1000 Bruxelles

4749

Dear Mr. Gardner,

Further to your letter of 18 May, this is to inform you that the General Secretariat of the Council does not compile voting records as referred to in your letter and I am therefore not in a position to supply you with the information which you requested.

However, the press releases of Council meetings held since last December will give you a good idea of how voting in the Council has worked, at least since then; on 6 December 1993 a new provision was introduced into the Rules of Procedure of the Council (article 7, paragraph 5), according to which most votes taken in the Council are made public in the press release.

Yours sincerely

L. Goebel

The Council's letter to the FT

Of 27 requests for information made by the end of May to the Council, six were fully met, seven were met in part, nine were refused, one was under consideration, and four – probably including the FT's – were subject to further review.

But it is too early to judge how the catch-all clause is being employed. "The system is in shock," one EU diplomat said.

The Council is the only legislature in Europe which meets behind closed doors. Experimental televising of parts of some of its sessions has yielded the uninformative spectacle of ministers talking at each other in stilted set-piece speeches.

There has been no televised debate on openness, and one can see why. A year ago, a meeting between the Council and the European Parliament reached an impasse over a majority of the 12's restrictive interpretation on confidential documents. The parliament delegation went into an adjoining room to allow the Council *to collect its thoughts*. But microphones into that room were left on for several minutes, enabling them to hear two member states express very different views from those made in the joint meeting.

Many ministers emerging from Council meetings habitually give a heavy national "spin" to their version of what went on inside. But most stop short of mendacity, if only because they risk being found out; they are in competition with 11 other member states, some of which, like the Netherlands and Denmark, are committed to open government.

But many countries, among them Belgium, France, Portugal and the UK, are not so keen.

The Dutch government is challenging the new code in the European Court in Luxembourg, supported by the European Parliament.

The controversy is already stemming the flow of leaked information from EU institutions. 'When you create a channel you dry up most of the tributaries,' as one British official put it

But the controversy is already stemming the flow of leaked information from EU institutions. Officials now appear less willing to provide documents. "When you create a channel you dry up most of the tributaries," as one British official put it.

Moreover, ambassadors of the 12 have proposed that the relatively low-level General Affairs Group of the Council (with the *multilingual* acronym of Gag) should adjudicate by simple majority on information requests, and that the Council – of elected national ministers – "will undertake in principle to approve [this] without debate".

The Dutch and Danes refuse to accept this, but as one of their adversaries said yesterday, "the reality is it's 10 against two".

The odds will change if Sweden, Norway and Finland enter the EU next year.

They have attached declarations to their accession treaties reaffirming their traditions of freedom of information, to which the EU has attached counter-declarations expecting the newcomers to abide by EU law.

The "openness" battle looks set to run for a good while yet.

UK vows to back Brittan at Corfu summit

By Philip Stephens in London and Robert Graham in Rome

The British government insisted yesterday it would maintain its backing at the European Union summit in Corfu this week for Sir Leon Brittan as the next president of the European Commission.

Hinting that Mr John Major, the British prime minister was prepared to see the decision on the successor to Mr Jacques Delors deferred until a special summit in the autumn, senior officials refused to discuss the candidacy of Mr Jean-Luc Dehaene, the Belgian prime minister. Instead they said the prime minister would insist *that Sir Leon would make an* "excellent president".

But the officials pointedly side stepped the question of whether Mr Major would use Britain's national veto, stressing instead that the 12 heads of government were obliged to reach a "consensus".

In Rome, the Italian government made clear yesterday it was prepared to bargain hard over the choice of a successor *to Mr Delors*.

Mr Antonio Martino, the Italian foreign minister, told parliament it was vital to link the choice on the succession to the broader issue of obtaining a strong Italian presence in running international organisations.

"All the current candidates have the qualities to make excellent presidents," Mr Martino told the foreign affairs commission of the chamber of deputies. "But the issue is of the utmost importance and cannot be resolved in a hurry."

In weighing up the various candidates, it was important "to take account of the balance among member countries in the allocation of senior posts in other international organisations which are shortly due to be filled".

EU president Jacques Delors: satisfaction over the growth of the presidency's power and prestige

Delors brushes off UK jibes

By Lionel Barber in Brussels

Mr Jacques Delors yesterday brushed off British government charges that he had turned into a "philosopher king" *during his* 10 years as president of the European Commission.

Mr Delors, co-architect of the Maastricht treaty, powerhouse behind the European Single Market, and putative French presidential candidate, said it was wrong to suggest he had spent all his time in Brussels dreaming up grand designs for the Europe's future.

"If that was the case, I would *have been able to go to 10 football* matches a year instead of two. I would have been less tired," he said in advance of this week's European summit in Corfu.

Mr Delors, who leaves office in December, offered a hint of satisfaction on how the Commission presidency had grown in power and prestige since he took over in 1985. Yesterday, he counted 89 articles on the contest to succeed him; his appointment, 10 years ago, received only three lines down-page in the French press.

EU president denies he spends his time dreaming up grand designs

But he avoided commenting *on the prospects of the three* declared candidates to succeed him: Mr Ruud Lubbers, outgoing Dutch prime minister, Sir Leon Brittan, chief EU trade negotiator, and Mr Jean-Luc Dehaene, the Belgian prime minister and current favourite.

In a sympathetic reference to Mr Lubbers, blocked by France and Germany, Mr Delors said he had tried to ensure all candidates received "fair treatment" among heads of government whose choice must be unanimous.

Fears are growing the Corfu summit, which opens on Friday, *could be deadlocked over* the Delors succession. This could force Germany, which takes over the rotating EU presidency from Greece on July 1, to hold a special summit in the autumn. *Mr Delors* offered a low-key assessment of prospects for the meeting. He hinted he would not press EU leaders to support extra European Commission borrowing powers on the capital markets to finance trans-European networks. But he wanted a commitment for work to begin on the 11 "top priority" cross-border road and rail projects.

He expressed concern that EU leaders might use the incipient economic recovery to shirk from tough choices to improve competitiveness through reform of labour markets and easing the cost of hiring *people* – matched by greater support for the disadvantaged and unemployed. These worries were voiced this week by Unice, the European employers' federation.

EU may liberalise telecoms infrastructure soon

By Andrew Adonis

The European Commission will take immediate steps to liberalise the supply of telecommunications infrastructure across the EU if this week's heads of government meeting in Corfu endorses the principle of competing networks.

Most of the EU's state telecoms operators are opposed to early competition in infrastructure, but pressure on the heads of governments from the Commission and business groups is intense following the report by the Bangemann group of prominent industrialists.

The Bangemann group, established by the last EU heads of government meeting, has recommended setting a "clear timetable" for the liberalisation of "telecoms infrastructures and services still in the monopoly area" – an advance on previous EU policy of opening services alone to competition by 1998.

Most EU state telecoms operators oppose early competition

Dr Herbert Ungerer, head of regulatory division of the Commission's telecoms directorate, said yesterday: "Outside the UK the provision of liberalised services is substantially held back by the limited availability and high price of capacity."

Addressing an FT conference on European telecoms in London, *Dr Ungerer said that* if political support was forthcoming, the Commission would seek agreement this autumn for "general principles and a firm time schedule linking the liberalisation of infrastructure to the liberalisation schedule for services".

Such a step would give an immediate impetus to investment in networks competing with those of state operators, particularly to the conversion of cable TV systems to carry telecoms. Mobile cellular services, data telecoms, and private corporate networks are already liberalised across the EU, but competitors are obliged to rely on state operators' infrastructure.

The main public "voice" business of state operators will not be open to competition until 1998 across most of the EU but some prospective competitors are already active in other liberalised sectors. The Commission believes they and others would find it cost effective to install infrastructure before the 1998 deadline.

Fears for Europe's competitive edge are behind the Commission's desire to accelerate telecoms liberalisation. Dr Ungerer highlighted a 10-to-1 differential in the cost of leased telecoms lines between Europe and north America.

Mr Umberto de Julio, vice-president of the networks division of SIP, the Italian state operator, said current network investment alone would reduce the cost of calls by 20 per cent within five years – irrespective of staff productivity.

Less than 20 per cent of SIP's investment is planned to go into increasing the number of phone lines, a reduction from 50 per cent in the recent past. Investment would focus on "intelligent networks" and spreading digital technology to boost network traffic and introduce new services.

Berlin poll call as link to far right revealed

By Judy Dempsey in Berlin

Berlin's coalition government, or Senate, was last night thrown into turmoil after party *officials said* they would call new elections failing any agreement on the future status of the interior senator.

The Social Democrats, who are in coalition with the Christian Democrats, have insisted that Mr Dieter Heckelmann, the senator responsible for interior affairs, should resign after it was disclosed that his press spokesman had ties to a far right-wing group of intellectuals known as the "Tuesday Circle".

Social Democrats have insisted the interior affairs senator should resign after it was disclosed his press spokesman had ties to a far right group

Mr Heckelmann, CDU, has already survived two votes of no confidence by the SPD. But yesterday, the Party for Democratic Socialism, the successor to the former east German communist party, and the Greens/Bündnis 90, which groups together environmentalists and independent movements, called for another no-confidence vote.

Mr Eberhard Diepgen, the CDU mayor of Berlin, and Mr Ditmar Staffald, head of the Social Democrats, said they would be forced to call elections if they could not resolve the dispute.

Last night, Mr Diepgen said the elections would probably take place in October, when the federal, and other state elections are held. The coalition has been in power since 1992. He said a confidence vote would be a "hostile" gesture that would destabilise the coalition. "If it comes to a destabilisation *of the coalition* – and a vote of no confidence is destabilising – then I would prefer calling new elections," Mr Diepgen said at a news conference.

The coalition's existence hinges on the SPD, which last night said they would decide soon if they would hold another confidence vote.

They are likely to face pressure to call for another formal vote since its support in Berlin, particularly east Berlin, is drifting increasingly to the PDS.

During the elections for the European Parliament, the PDS received more than 44 per cent of the votes in Berlin-Mitte, the heart of Berlin before the second world war, and over 40 per cent in east Berlin as a whole.

German politicians decamp to the east

By Judy Dempsey in Berlin

Bonn, the seat of government, *becomes a virtual political* desert over the next few days as Germany's most senior politicians decamp to the eastern state of Saxony-Anhalt.

Government ministers are not going there to witness the outcome of the opposition Social Democrats special party congress which opens today in Halle, the second largest city in Saxony-Anhalt, tempting though it might be. The SPD hope to use the congress to end their internal squabbling, decide on an election strategy and nominate Mr Rudolf Scharping, party leader, as candidate for Chancellor.

While the SPD charts their route to the October federal elections, Chancellor Helmut Kohl, Mr Klaus Kinkel, chairman of the FDP, and Mr Hans-Dietrich Genscher, the FDP's former foreign minister, are in Halle to win support before *the Saxon-Anhalts go to* the polls to elect a new state parliament next Sunday.

The locals, who probably have sighted a handful of Bonn's political elite since they were wooed during the last federal elections in 1990, have already caught several glimpses of Mr Kohl.

His campaign managers have had the Chancellor visiting chemical works and refineries, digging foundations for new enterprises and shaking hands.

Once called Red Halle because of its traditional socialist support, it was here that Mr Genscher, who was born in Halle, received a rapturous welcome soon after the Berlin Wall was torn down.

But memories are short. A crowd of about 300 turned up in early June to hear him speak. *But over* 3,000 turned *out for Mr Gregor Gysi*, the charismatic leader of the Party for Democratic Socialism, the successor to the former east German communist party.

Indeed, it is the appeal of the PDS, , who did well in the recent European Parliament and local government elections, which appear to be unsettling sections of the establishment.

"They are draining votes away from us," sighed Ms Dagmar Szabados, the SPD vice-mayor of Halle.

But Mr Kohl does not want to waste all his energy on the PDS. His high profile is designed to shore up the Saxony-Anhalt's incumbent CDU/FDP coalition, and attract back disillusioned voters to the FDP.

Test for currency mastermind

By Michael Lindemann in Bonn

The German opposition Social Democratic party yesterday called for further investigations into the irregular activities of Mr Alexander Schalck-Golodkowski, the man who masterminded the import of the bulk of foreign currency into the former East Germany.

The call comes after a 18 person parliamentary committee published the results of a *three-year 1.5m page report on* the methods Mr Schalck-Golodkowski used to obtain foreign currency, at least DM29bn ($17.7bn) to fill East Germany's government coffers until 1989.

Between 1966 and 1989 Mr Schalck-Golodkowski ran Kommerzielle Koordinierung, better known as KoKo, a department of the East German foreign trade ministry.

According to the parliamentary report, as part of its attempts to gather foreign currency, KoKo spawned at least 160 companies worldwide through which East Germany *traded political prisoners*, stolen art works and toxic waste and stole embargoed technology.

As head of KoKo Mr Schalck-Golodkowski was one of the half dozen most important people in former East Germany. He appeared six times before the committee, but Mr Axel Wernitz, the SPD deputy chairman of the committee, said he still had a "series of ethical, moral and political questions to answer." A fresh probe was necessary, he said, when the new parliament convenes in October.

Mr Schalck-Golodkowski left East Germany in December 1989, a month after the collapse of the Berlin Wall, and now lives in a villa on the Tegernsee in Bavaria, *home to* many other wealthy Germans.

There has been widespread speculation in the German press that no criminal charges have been brought against him for fear of unearthing unwanted information about connections Mr Schalck-Golodkowski had with hundreds of leading German politicians, including the late Mr Franz *Josef Strauss*, the revered former Bavarian state premier who arranged a DM1bn loan to East Germany in 1983.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481, Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David G.M. Bell and Alan C. Miller. Printer: DVM Druck-Vertrieb and Marketing GmbH, Admiral-Rosendahl- Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). ISSN: ISSN 0174-7363
Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd.London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.

FRANCE
Publishing Director: D. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

DENMARK
Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

EUROPEAN NEWS DIGEST

Russians to sign military security pact with Nato

Russia will today end nearly six months of uncertainty by signing up to the Partnership For Peace, the military co-operation programme designed by Nato. Mr Andrei Kozyrev, the Russian foreign minister, will also set in motion a broader co-operation arrangement between Russia and Nato, whose precise formulation was being haggled over by diplomats in Brussels until late yesterday.

The Russian side has stepped back from some of its bolder demands over the wording of the broad agreement. However the very fact Nato has been prepared to negotiate a separate deal to supplement PFP is a substantial concession by the alliance. The supplementary agreement will state that Nato and Russia have an important contribution to make to the security of Europe, and it will call for long-term co-operation between Moscow and the alliance, both inside and outside PFP.

It will call for political consultations and an exchange of information on European security. Negotiation was going on until the last moment over whether the text would contain an explicit reference to Russia's importance as a nuclear power; and also whether it would envisage – as Russia has suggested – that the two sides formally co-ordinate their peace-keeping activities. *Bruce Clark, Defence Correspondent.*

Romanian government crisis

The Democratic Agrarian party, which has a pivotal position in Romania's hung parliament, said yesterday it was withdrawing its support for the ruling Party of Social Democracy and that it intended to lodge a no-confidence motion in the left-wing minority government.

The PSD government has relied on the DAP and three small neo-communist and nationalist parties to reach a 53 per cent majority in parliament since narrowly winning elections in September 1992. None of the four parties has lodged a no-confidence vote in the government to date. The DAP, a small centre-left party supported by farmers, said it was bringing the motion on grounds that the government's economic and social policies had failed and that, in particular, it had done little to solve the problems facing the agriculture and food sectors.

Romania's centre-right opposition parties, which control 47 per cent of parliament, have also said they will lodge a no-confidence motion in the 20-month-old government this week. The DAP said yesterday it would co-operate with any party sharing the same criticisms of the government. *Virginia Marsh, Bucharest.*

Denmark makes fiscal pledge

A tighter fiscal policy and a reduced budget deficit in 1995 were promised by the Danish government yesterday. Mr Paul Nyrup Rasmussen, the prime minister, said after a routine cabinet meeting, at which the 1995 finance bill was discussed, that the impact of government finances on the economy next year will be to dampen the GDP growth rate by about 0.3 per cent. In the current year, a strongly expansive fiscal policy is estimated to add 1.2 per cent to the growth rate, which is expected to be about 4 per cent. The 1995 finance bill will bring the budget deficit to under DKR50bn (£5bn), said Mr Rasmussen. The government's most recent estimate is that the 1994 deficit will be about DKR51bn, some 5.5 per cent of GDP, about the same as in 1993. *Hilary Barnes, Copenhagen.*

OECD may bring in Poland

Poland has a realistic chance of becoming a member of the OECD by 1996, Mr Jean-Claude Pays, the secretary general of the Paris-based organisation said yesterday at the close of a visit to Warsaw. Poland and the other central European post-communist countries, Hungary, Slovakia and the Czech Republic have since 1990 participated in a "Partners in Transition" programme with the OECD, and last February the four formally applied for membership. Negotiations for full entry are to start "shortly", Mr Pays said. He noted that Poland was doing well in its transition to a market economy and that its macroeconomic situation was under control. Mr Pays said the talks would include subjects such as the necessary changes in Polish legislation to bring the country's laws into line with OECD rules, on issues such as the right to transfer capital freely. *Christopher Bobinski, Warsaw.*

Slovaks forecast growth of 2%

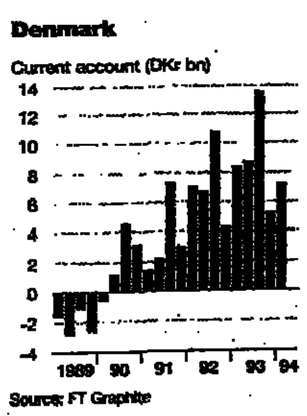
The Slovak finance minister, Mr Rudolf Filkus, said yesterday he expected gross domestic product to rise by 2 per cent next year, the first such rise in four years. Mr Filkus said the target was included in the government's draft 1995 budget, due to be approved by the end of July. Slovakia's GDP fell by 4 per cent in 1993 and the National Bank of Slovakia is forecasting zero growth this year. The budget sets targets of 14.2 per cent for unemployment and 13.8 per cent for inflation. The government's GDP target is broadly in line with preliminary forecasts of GDP growth of between 1.5-2 per cent. Mr Juraj Janosik, a national bank economist, said there are signs the Slovak economy is emerging from recession, with the building and chemical industries performing strongly so far this year. *Vincent Boland, Prague.*

Macedonia border protests

Macedonia yesterday protested to neighbouring Yugoslavia about several incursions into Macedonian territory, including the taking of a strategic hill. The Macedonian Foreign Ministry said yesterday the moves by the Yugoslav army could have "unforeseen consequences". The ministry repeated calls for an urgent meeting with the government of Yugoslavia, now comprised of Serbia and Montenegro, to define the border. The protest follows a warning by the Macedonian chief-of-staff that he would send the army to put a halt to the violation of what he sees as Macedonian territory. *Laura Silber, Belgrade.*

ECONOMIC WATCH

Danish trade surplus declines



Source: FT Graphite

Denmark's first quarter current account balance of payments surplus declined to Dkr7.2bn (£700m) from Dkr8.39bn in the same period last year, according to a preliminary estimate by the official statistical office. The decline reflected the fact that imports are rising faster than exports for the first time for several years, under the influence of a strong economic recovery this year. Merchandise exports rose by 5.0 per cent to Dkr61.5bn and imports by 7.6 per cent to Dkr50.4bn. The total surplus on trade in goods and services declined by Dkr1.5bn to Dkr12.6bn. Over the past four quarters the current account surplus increased by Dkr4.6bn to Dkr34.8bn, which is about 3.5 per cent of GDP. *Hilary Barnes, Copenhagen.*

■ Inflation in Italy looks set to fall for the first time in 25 years below an annualised 4 per cent. According to the national statistics office, Istat, June inflation in a sample of nine cities was running at 0.2-0.3 per cent, giving an annualised 3.7 to 3.8 per cent. The inflation figures for the big cities have tended to be an accurate reflection of monthly figures.

■ French consumer prices rose 0.2 per cent in May, to give a year-on-year rise of 1.7 per cent, the national statistics institute, Insee, said.

Swedes may oust PM before EU entry

Prime minister Carl Bildt is set to pay a high price for his reform programme, writes Hugh Carnegy

Ornately-decorated maypoles are sprouting in villages and parks all over Sweden as the country prepares for the traditional midsummer dancing and parties to mark the start of the July summer holiday.

After that the nation will fall almost silent, for almost a month. But this year the long-cherished summer break will be little more than a lull in a political storm.

A general election on September 18 will be followed by a referendum on November 13 on whether Sweden should join the European Union. Coming after a period of deep recession, during which some of the most basic tenets of Swedish society have been challenged, either poll on its own would have been a watershed: together, they represent a fateful and complex double choice.

The election pits the incumbent right-centre coalition of the prime minister, Mr Carl Bildt, comprising his conservative Moderate party, the Folk (or Liberal) party, the Centre party and the Christian Democrat party, against the Social Democrats, led by Mr Ingvar Carlsson, a former prime minister.

Bildt: losing battle about nature of Swedish society *Lydie van der Meer*

Boosted by opinion poll ratings of around 50 per cent, the Social Democrats are confident of returning to power, ending three years in which Mr Bildt set out to transform Sweden from a country dominated by its famous welfare state into a full-blown, open market economy.

It is a battle about the fundamental nature of Swedish society. But so, too, is the campaign on EU membership. For the Swedes, joining the Union involves abandoning a deeply entrenched aversion to big power blocs that has led them throughout this century to maintain their neutrality. The Social Democrats have plenty of election ammunition. Pointing to record unemployment – the real jobless rate stands at an unprecedented 14 per cent of the workforce – a large budget deficit and the fastest-rising national debt among OECD countries, they argue that Mr Bildt's reformist mission has exacted too high a social price.

"Their policy of fighting an inflation that wasn't there any more deepened the recession and postponed the upturn," Mr Carlsson says. He insists the "Swedish model" requires refinement, not wholesale reform, in which the target is to preserve the main structure of the welfare state. "It was not the cost of the Swedish model that caused the crisis, it was an enormous boom in private borrowing. It was not the public sector that suddenly exploded."

Mr Bildt's response is that three years of reform, in which there has been privatisation, deregulation (in areas such as energy, telecommunications, transport and broadcasting) and trimming of welfare provision, has made the Swedish economy significantly more competitive. But with state spending still close to 70 per cent of gross domestic product, he argues that more reform is needed to consolidate this year's return to growth.

"If you go back 70-80 years in this country the Social Democrats were the modernisers and the traditionalists were the right. Now it is the other way around. The Social Democrats are the feudal barons trying to retard the advent of a modern society. They are appealing to people who fear the future, people who fear change." Opinion polls suggest, however, that the electorate has tired of the government's reformist zeal, making the Social Democrats clear favourites to win in September. But the question of EU membership presents an awkward problem for both Mr Carlsson and Mr Bildt.

Despite a decision by the Social Democrats' party congress last weekend to support Swedish membership, polls show that more than 50 per cent of the party's supporters oppose joining the Union.

Mr Carlsson has thus adopted a cautious approach to the EU question, insisting that the emphasis must be on winning the election, and only then should the party throw its full weight into the campaign for a Yes vote in the EU referendum.

This has infuriated Mr Bildt, for whom EU membership is an overriding political goal. Faced with polls showing a solid lead for the well-organised and united No to the EU campaign, the prime minister has called on Mr Carlsson to take a more active role in winning over opinion within Social Democratic ranks.

Only yesterday, in a letter to Mr Carlsson, he repeated his appeal and suggested the two men meet in August to discuss a joint approach to Swedish membership. "It is their silence that is the problem," declares Mr Bildt. To which Mr Carlsson replies: "Every time he speaks, we [the pro-EU lobby] lose more votes to the No side."

Mr Bildt stresses the importance of participating in Europe's political and security structures and of building open markets; Mr Carlsson speaks of how co-operation within the EU will strengthen left-of-centre policies against unemployment and attacks on the welfare state.

Mr Bildt faces a dilemma. The painful – and ironic – reality may be that Swedes will accept the historical step of joining the EU that he so passionately advocates only if it is taken under the guidance of the Social Democrats, guardians of the "Swedish model".

Russia's 'economic calm' set to end

Pressures are building that political will alone cannot withstand, writes John Lloyd

The second half of the year is always the worst for the Russian economy, says Mr Boris Fyodorov who, as former deputy prime minister for finance, should *know*. It is the *time* when the lobbies step up their demands and all the signs are that the period of calm is coming to an end.

At root, the problem is simple: sharply rising demands on spending, especially from the military and agriculture, sharply falling tax revenue and very high real interest rates. They add up to pressures that political will alone can probably no longer withstand.

"The situation is not sustainable," says Professor Charles Wyplosz of France's Insead business school, an expert on the Russian economy. "Something has to give."

An impasse, though perilous, does not necessarily mean disaster, western experts and Russian economists say. Perversely, it may point to Russia becoming "normal". Not in the sense of an advanced market economy for which the Russian reformist governments were striving, but of a politically and economically precarious developing country.

"Russia is now likely entering the so-called Romanian or Latin American way – with periods of high inflation and attempts at financial stabilisation following each other," says Mr Andrei Illarionov, deputy head of the Economic Reform Centre.

"We could see a market emerging which is rather monopolistic with huge government intervention, massive state regulation, depressed and fragmentary market competition, highly protectionist economic policy, very efficient production and high prices. We already have an example – Moscow's real estate market – heavily regulated, protected *and corrupt*."

The implicitly comforting message in this, that Russia can "muddle through" peacefully if bumpily, is increasingly believed in Russia and elsewhere. But not by all, especially not by Professor Jeffrey Sachs of Harvard University, the highest profile former adviser to the Russian government, who gave a passionate address to a conference of reformers and experts in Stockholm last week.

"This is a country with 2.1m men under arms; it has 30,000 nuclear weapons. We can't afford to sit and wait for it all to go wrong," he says.

It could indeed go wrong, poised as it is on the knife edge of a "slow reform" which many economists thought (and still think) impossible. Some things *are* going right: inflation is down from nearly 30 per cent a month at the end of last year *to around 8 per cent* last month; very high real interest rates are keeping credit tight; and credits which once flowed freely to the other former Soviet republics are largely stopped.

"The end of the rouble zone last autumn is one of the main reasons for the drop in inflation," argues Ms Brigitte Granville, senior research fellow at the Royal Institute of International Affairs and a Moscow resident.

However, the costs of these and other policies are growing fast. The budget for 1994, still being tossed about between the two houses of parliament and the government, is way out of line. Mr Illarionov reckons that, in the first three months of this year, less than half of budget revenues were collected.

Mr Wyplosz's figures (see graph) are less dramatic, but still *show a serious* shortfall in the first quarter. Industrial production has plunged to little more than half its early 1992 level, and, though that *misses out the private sector, it* still means a disaster for the dominant state economy: closed plants, idle workers, regional and city budgets *starved of revenue*.

The industrial directors, as usual, blame the government. Mr Vladimir Shcherbakov, head of the Interprivitizatsia industrial investment fund (and a former Soviet first deputy premier) says that without urgent action, the government and society are at risk.

"We know what is happening to companies," he says. They cannot get credit at the price it is. They have no money, no supplies, no modern management expertise, often no modern technology. They are usually not restructuring: the management has simply withdrawn from activity and waits – for something.

"Most of them are technically bankrupt. In the refinery *and the* petrochemical sector, most work at 30-40 per cent capacity. And I don't believe, like the prime minister, that this is the bottom of the crisis. *I think that* in the autumn there will be a further deep fall as these plants which are working part-time close because they lack customers and *lack supplies*."

This has stimulated the opposition to call for changed policies, though with much less vehemence than in the early part of the reform, when Mr Yegor Gaidar was in charge.

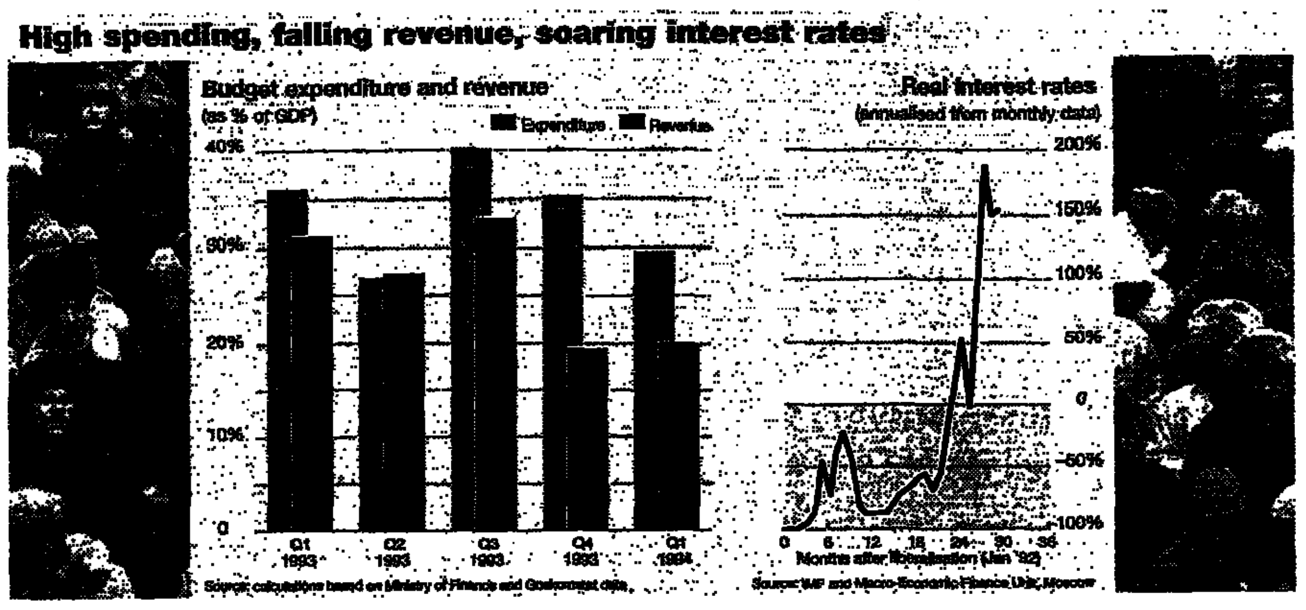
Earlier this month, a flurry of decrees came out from government under the prompting of *President Boris Yeltsin*, aimed at stimulating investment through tax cuts and other measures. Mr Yeltsin has harshly criticised acting finance minister Mr Sergei Dubynin and, by implication, prime minister Mr Victor Chernomyrdin, for inaction, reflecting the tension that exists over the economy.

Privatisation, the only active economic reform still being undertaken, has produced a new class of owners. Mr Anatoly Chubais, the deputy prime minister for privatisation, takes pride in the 1m proprietors of the shops and restaurants he has helped conjure into being in the past two years.

But entrepreneurs in today's Russia must cope with a lot – huge taxes which must be evaded to exist, contradictory laws and regulations, terrible communications and organised crime working without much hindrance and becoming increasingly violent.

Mr Wyplosz says "there has been a clear shift in Russia from extreme laxity to extreme tightness in monetary policy". Though this produces "good" figures for inflation, it means Russia plays a high price: indeed, Mr Wyplosz has constructed a "misery index" which shows how far production falls for every one percentage point reduction in inflation.

Russia, argues Mr Sachs and others, would not be suffering so much had it really instituted shock therapy rather than the appearance of it two years ago: now, *stuck in a* trough between reform and retreat, it is in the worst of all worlds.



Poll holds key to Belarus independence

By Leyla Boulton in Moscow

Belarus, the least independent-minded of former Soviet republics, tomorrow elects its first president in a contest which could *determine* whether it finally gives up its main attributes of independence.

The contest appears to be led by Prime Minister Vyacheslav Kebich, a neo-communist whose unrivalled access to state-owned TV has won him the sobriquet of Uncle Kebich – after equally frequent advertising for Uncle Ben's rice.

Having failed to reform what has become a stagnant economy, Mr Kebich is campaigning on a promise to merge the Belarus economy with that of Russia.

He claims that a provisional agreement he concluded last winter with Russian Prime Minister Victor Chernomyrdin for a monetary union between the two states is the only way to save the Belarus economy from its catastrophic state.

If endorsed, despite growing doubts within Russia, the treaty would require Belarus to place its central bank under the tutelage of Russia, and to adjust all its economic legislation to Russia's.

Since Belarus has already given up nuclear weapons inherited from the Soviet era and has no pretensions towards an assertive foreign policy – it would have very lit*tle else to* give up *in the* way of real independence once it hands over its central bank and the power to print money.

Mr Kebich pledges economic support for Byelorussians which Russia is unlikely to endorse. By 1995, he has promised 100 per cent indexation of pensions and savings, and says he will prevent bankruptcies among ailing industrial enterprises – a pledge which effectively ends hopes of economic reform.

Vying for the educated vote of those Byelorussians who feel something of a national identity are Mr Zenon Pozdniak, the leader of the nationalist *Popular Front* and Mr Stanislav Shushkevich, the reformist former chairman of the parliament. Both men are promising fast market reform. *While Mr Shushkevich* is seen as amiable but somewhat ineffectual, Mr Pozdniak inspires some nervousness as to what his more nationalistic message would entail in foreign policy.

Competing with Mr Kebich for the less sophisticated voters who want order and security above all else is Mr Alexander *Lukashenko*, an anti-corruption campaigner, who says his first decree as president would cleanse the administration of corrupt officials.

Mr Anatoly Kiryushkin, a member of Belarus' small private business community, was not alone when he noted that the only advantage of voting for Mr Kebich was predictability.

"Under him, Belarus will become a province of Russia, but I have prepared contingency plans to adjust my business to that."

EASTERN GERMAN ECONOMY

Growth of 10% expected in first quarter

By Judy Dempsey in Berlin

The east German economy is expected to grow by 10 per cent in real terms in the first quarter this year compared with *last year and the productivity* gap in some sectors is narrowing between western and eastern German enterprises.

However, the upswing in the economy is far from becoming self-sustaining, with the region still reliant on west German financial transfers. And growth in gross domestic product comes from a very low base. Gross domestic product fell by more than 30 per cent in 1990.

In separate reports, the Federal Statistics Office, the Bundesbank, and Deutsche Bank Research, conclude that the "de-industrialisation" in the five eastern states since 1990 is now complete, providing a foundation for gradual growth.

This involved a massive restructuring of industry, including modernisation and closures. But export demand, the main engine driving the west German economy, *remains extremely weak in* eastern Germany.

Car plant productivity can match, if not exceed, west German levels

According to yesterday's annual report by the Statistics Office, east German exports totalled DM12bn (£4.88bn) last year, a fall of over DM1.79bn on the previous year.

East Germany's total exports last year represented only 2 per cent of Germany's total export trade, compared with 30 per cent in 1989.

Last year, over 52 per cent of east German exports were targeted on the countries of east*ern Europe and the former* Soviet Union, consisting mainly of mechanical engineering, chemical, and machine tool building products. East Germany's exports to the region shrank by 80 per cent in the first few years after unification, following German monetary union and the collapse of Comecon, the former eastern trading organisation.

But as the Bundesbank and Deutsche Bank Research indicate, the restructuring since unification, and continuing high level of investment, which was up a real 17 per cent in the first quarter, is improving competitiveness in some sectors. For example, car production at plants built since unification by Opel, BMW, and Volkswagen, rose by 45 per cent in the first quarter this year – and can match, if not exceed west German productivity levels.

Competitiveness in retailing and construction is also approaching west German levels, according to the Bundesbank and Deutsche Bank.

Deutsche cautions that productivity across the sectors varies widely, depending on the nature of the investments, lay-offs and restructuring, and high unit wage costs, which are on average 50 per cent higher than in west Germany, continue to delay international competitiveness.

Overall industrial production in eastern Germany is expected to increase throughout 1994 after growing 21.6 per cent year on year in the first quarter. New orders – for the whole German market – grew by 20.1 per cent in the same period, and domestic orders rose by 27.6 per cent, an indication that the east German economy is producing items which industry requires.

However, the region remains heavily dependent on western German goods, particularly of *consumer products, which last* year were six times as high as eastern German deliveries to western Germany.

But there are signs that west German companies that have invested in eastern Germany are "importing" the products back into western Germany. "More east German firms are now establishing a foothold in the west German market with new, improved products. The investments in recent years are bearing first fruit," says Deutsche.

NEWS: WORLD TRADE

Japan foreign minister for US trade talks

By Michiyo Nakamoto in Tokyo

Japan's foreign minister, Mr Koji Kakizawa, plans to visit the US this weekend for talks with Mr Mickey Kantor, US trade representative, on the two countries' framework trade negotiations.

The announcement, which came as US and Japanese trade negotiators continue efforts to agree on trade issues before a Group of Seven summit in Naples next month, heightened hopes that an accord was near.

Mr Kakizawa's plans, however, are subject to the volatile political situation in Japan, where the minority government may face a vote of no confidence as early as Friday.

Japanese trade officials were also unwilling to place much hope in the possibility that Mr Kakizawa's visit will achieve the breakthrough the two sides have been seeking since the framework talks were resumed last month. "It is not yet time for a political decision," one Japanese trade official said yesterday.

Mr Kakizawa has been keen to meet Mr Kantor, who expressed a desire to meet the Japanese minister as soon as the latter was appointed.

The two sides have not yet held talks below cabinet level. Also, no discussions have been held on quantitative indicators, the most difficult obstacle, the official said.

Considerable progress has been made towards agreement on government procurement, which with insurance and trade in vehicles and auto parts makes up the three priority areas on the agenda.


Mr Koji Kakizawa, Japan's foreign minister, will be meeting the US trade representative

However, there was still much work to be done before the summit. "It may be difficult to reach an agreement before then," the official said.

The US embassy in Tokyo yesterday issued a statement welcoming Japan's efforts to deregulate its economy.

Relief in sight on high petrol prices

Michiyo Nakamoto on moves to liberalise Japan's oil imports and pursue deregulation

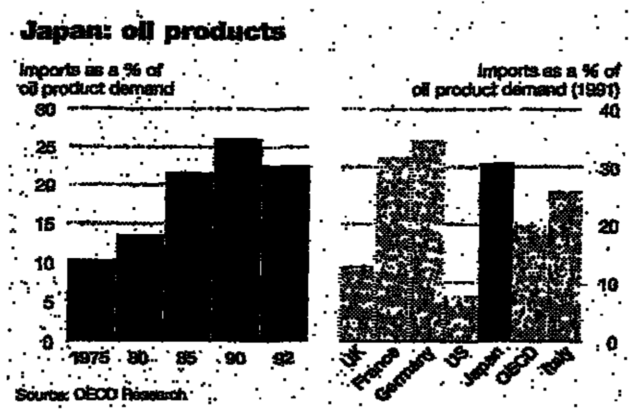
At a glance, there is nothing unusual about the petrol stand just off the Komaki interchange, about 200 miles west of Tokyo.

But the price of Y100 (63p) a litre at which Kanare Beikoku sells its petrol is about 20 per cent cheaper than the norm and the service station has attracted six to seven times as much business as the average station in Japan.

Kanare's bold pricing strategy, which has earned it the wrath of the oil industry, highlights the high price Japanese consumers pay for petrol. Japanese petrol, at an average of Y121 a litre in May, is about four times the price of petrol in the US and 20 per cent more than in France or Germany.

There are expectations that a report on oil policy published this week will put the government on track to liberalise imports by March 1996 and bring Japanese petrol prices in line with those in other industrialised countries.

The report calls for the abolition of a law restricting imports of petrol, kerosene and diesel to oil companies with the capacity to refine, upgrade and store these products. The law, it notes, has widened the gap between petrol prices in Japan and other industrialised countries.



With growing calls by politicians and business leaders for the industry to be deregulated to help stimulate the economy, the high price of gasoline has become symbolic of the burden Japanese consumers bear as a result of tight bureaucratic regulation.

Mr Shoichiro Toyoda, chairman of the powerful business organisation, the Keidanren, expressed support for abolition of the law. In a meeting with Mr Tsutumo Hata, the prime minister, Mr Toyoda suggested that regulations prohibiting self-service petrol stations be lifted to lower petrol prices, a proposal welcomed by Mr Hata.

At most Japanese service stations cars are welcomed by a host of attendants who direct the car into the premises, fill the tank, wipe all the windows, empty the ash tray and guide the car out again with a chorus of thank yous and deep bows.

Those who favour deregulation charge that such excessive service and a highly convoluted distribution system add to costs. They also note that restricting competition through tight regulations on imports allows the oil companies to keep petrol prices high, despite the fall in crude prices in recent years and the sharp rise of the yen.

"Oil companies admit that margins on gasoline are around three times margins on other products," notes Mr Nicholas Smith, industry analyst at Jardine Fleming, the securities company.

The high margins are partly explained by the fact that petrol is probably the only profitable oil product for Japanese oil companies and they need fat margins on petrol to make up for the others.

Moreover, to support industry, oil companies were required by bureaucratic fiat to keep the price of oil products used in industry low and in return were allowed to keep petrol prices high. For similar reasons, tax policy on oil has favoured industry over the consumer.

Regulatory controls on the retail sector meanwhile allowed oil companies to keep a tight-knit group of affiliated service stations to which they distribute petrol, and thereby protect their margins.

This allowed a highly inefficient industry, badly in need of restructuring, to survive under the protective shield of regulation.

But discounters such as Kanare Beikoku, which buy excess product made by oil refiners through an informal market, are widening the crack that has opened in that structure.

Liberalisation of imports would push the industry further towards restructuring and possibly consolidation.

If imports are liberalised, as seems likely, the profits of Japanese oil companies could be severely hurt, says Ms Lalita Gupta, industry analyst at UBS Securities in Tokyo.

Mr Tadashi Maekawa at the Petroleum Industry Association warns that liberalisation would force domestic refiners to reduce their capacity, lead to a heavier dependence on petrol imports and make it difficult for Japan to secure enough petrol in a crisis.

But the momentum behind liberalisation appears unstoppable. Neither can the industry count on the ministry of international trade and industry its long-time guardian, to come to the rescue. Recognising the need to introduce greater competition into the industry, Miti has gradually taken steps towards deregulation and the oil industry cannot remain immune to a wide-ranging and long overdue restructuring.

Singapore to place $5bn air order

By Paul Betts, Aerospace Correspondent

Singapore Airlines (SIA) is expected to announce today an order for up to 50 wide-body airliners worth more than $5bn (£3.2bn), which would double the size of the airline's fleet by the year 2003.

The order is expected to involve both Boeing 747-400 jumbo airliners, as well as European Airbus A340 long-range aircraft for delivery, starting in 1997 and running to 2003.

SIA, one of the most profitable airlines, has also been looking at the new Boeing 777 twin-engine 400-seater airliner.

The airline told the bidding manufacturers of aircraft and aero-engines four months ago it needed 22 Boeing 747-400s and 30 Airbus A340s, in addition to the 12 Boeing 747-400s and 13 A340s it already has on option.

However, the precise number of new aircraft it will order is only to be disclosed today.

The deal is particularly important for the airframe and aero-engine manufacturers because orders of this magnitude are now rare in the troubled airline industry.

All three leading aero-engine manufacturers – including Pratt & Whitney and General Electric of the US, and the UK Rolls-Royce group – have submitted bids to supply power plants for the new Boeing and Airbus aircraft.

SIA said this year it needed the new aircraft to meet expected annual growth of 8 to 9 per cent over the next 10 years. The airline has also had a long-standing policy of renewing its fleet on a regular basis so as to maintain an average aircraft age of five years.

SIA has now earmarked China, India and Vietnam as its main new growth areas during the next 10 years.

It is also seeking to operate services from London to the US, if it can secure the necessary traffic rights and airport slots.

NEWS IN BRIEF

Brazil awards contract for Amazon watch

Brazil has awarded a $600m (£389m) contract to US and French consortiums for a satellite and radar system to monitor the Amazon jungle, AP reports from Brasília.

Two consortiums, led by Raytheon of the US and Thompson-Alcatel of France, will build a network of radar, satellite, sensor, data-processing and communications systems over a six-year period to monitor the 2m square mile expanse of tropical forest.

The selection of Raytheon and Thompson-Alcatel will be announced officially at the end of the month. The equipment will be paid for over 20 years.

EU to discuss broadcast directive

Mr João de Deus Pinheiro, the member of the European Union's executive agency responsible for broadcasting, said that the EU would convene a conference to considered proposed changes in the broadcast directive. He promised that these would not be anti-US and that quotas would not be tightened, writes Nancy Dunne in Washington.

The 1989 broadcasting directive has been at the centre of a long row between the US and EU. It requires EU-based television channels to allot at least half their broadcasting time to European-made programmes, not including news, sport, games or advertising.

Washington is also unhappy about subsidies for European film-makers. However, the European audiovisual industry believes the support is essential to counter competition by cheap US imports.

Mr Jack Valenti, president of the Motion Picture Association of America, said he was encouraged by signs that the European industry might be willing to compromise.

US merchandise exports decline

Mr Ron Brown, US commerce secretary, yesterday reported a decline in US merchandise exports for last month, writes Our Foreign Staff.

Noting that the US trade position had deteriorated in every major foreign market area excep Latin America, he cited lower shipments of non-monetary gold as a big factor in last month's decline. Analysts have attributed the trend to business cycle factors.

The secretary said the US trade balance in services, led by travel expenditures, improved last month while the deficit in goods deteriorated.

Taiwanese re-exports down

Recent tensions and China's economic woes were reflected in May orders for Taiwan's exports to Hong Kong, which dropped 16.4 per cent from the April level, but climbed 9.3 per cent year-on-year, writes Laura Tyson in Taipei. Most of Taiwan's exports to Hong Kong are re-exported to China.

Taiwan's total export orders last month were $7.77bn, down 0.5 per cent from April but up 4.1 per cent from May 1993, the economics ministry said yesterday. Jan-May export orders were $36.86bn, up 4.4 per cent from the equivalent period last year. Orders received from the US, Taiwan's biggest market, were $2.99bn in May, up 9.4 per cent from April and 4.6 per cent from a year earlier. For Jan-May, orders from the US were up 2.9 per cent from the same period in 1993.

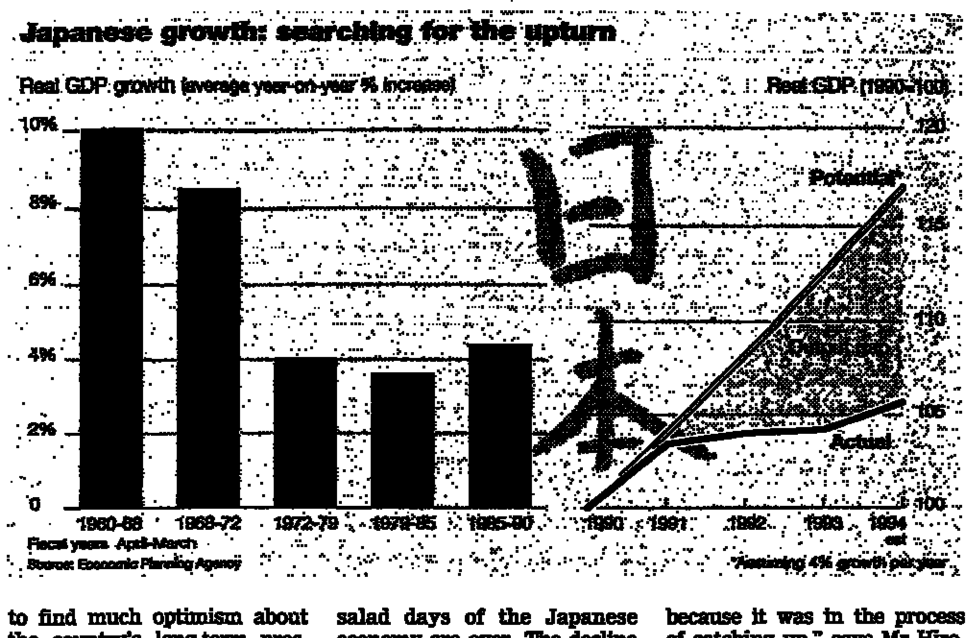
Japan greets recovery signs with caution

Gerard Baker on a spring spurt that has fizzled out by summer three times before

For the fourth year in a row, Japan's economy has started the year with a spurt. In each of the last three years, the spring surge has quickly given way to a summer slump, however, and analysts greeted yesterday's figures with caution, anxious not to be embarrassed yet again by premature predictions of recovery.

But the economic signals have been more encouraging for longer this time and hints from the government's Economic Planning Agency yesterday suggested that the second quarter of 1994 would demonstrate that the recovery is being sustained. If growth continues in the second quarter, it will be the first time for three years that gross domestic product has grown for two consecutive quarters. A small achievement, but it would start to look like a trend.

But what sort of a recovery will it be? The strength and duration of the upturn will depend entirely on the extent to which output has been lost during the current recession – the output gap, or the difference between long-term productive capacity and actual output. Japan has been used to rapid growth, punctuated by brief, shallow recessions, but these days in Tokyo it is hard to find much optimism about the country's long-term prospects.



In the 1950s and 1960s Japan registered average annual growth rates (measured from peak to peak of successive business cycles) of a remarkably consistent 8 to 9 per cent. The first oil shock in 1973 halved that, however, and average annual growth had slowed by the early 1980s to about 4 per cent.

There is little doubt that the salad days of the Japanese economy are over. The decline is principally the result of economic maturation. In the 1950s and 1960s, starting from a low base, Japan's economy grew rapidly. There were plentiful supplies of capital, and industry was able to import vast quantities of modern technology that would have taken the country years to develop indigenously.

"For most of the period Japan was able to grow fast because it was in the process of catching up," says Mr Hirohiko Okumura, chief economist at Nomura Research Institute in Tokyo. "Now that it has caught up there is little scope for those rates of growth."

If Japan is now a mature economy is it condemned to US or even European rates of growth of around 2 to 3 per cent a year? Two factors will influence Japan's long-term growth prospects: productivity and an ageing population. It is widely believed that both factors work against Japan. Few would argue that it would be able to maintain its rapid rate of increase in manufacturing productivity compared with most industrialised economies, the key to Japan's post-war economic boom.

The labour force is projected to peak in the late 1990s and fall sharply thereafter as Japan's ageing population ensures that the number of people above working age grows rapidly in the first part of the 21st century. On this view the economy cannot any longer expect to achieve faster growth than its competitors.

But this is a gloomy view, typical of the saturnine outlook often associated with business at this stage of the cycle. The key area for future productivity increases is not manufacturing, which now accounts for just a third of Japan's output, but services. While it is true that manufacturing productivity has reached western levels, services productivity lags well behind – by as much as 50 per cent in some sectors, according to a recent study by McKinsey, the management consultants.

As Mr Geoffrey Barker, chief economist at Baring Securities in Tokyo points out, "if the Japanese service sector can achieve the same sort of productivity improvements seen in manufacturing, the growth potential for the whole economy is enormous". The scope for deregulation and increased competition in the services sector could, some economists feel, produce significant productivity gains.

The contraction of the labour force expected after the late 1990s may also be illusory. The EPA's prognosis is based on the size of the population aged between 15 and 60. But the labour force is actually likely to grow, since more women will work and the retirement age may well recede as labour becomes scarce.

The striking aspect of Japanese performance in the last 20 years has been not a straight-line fall in long-run growth that could be explained by maturation, but a single step down after the 1973 oil shock. Since then, the average growth rate has been consistent at slightly more than 4 per cent.

If that continues, the implications for the next few years are considerable. The output gap would be close to 10 per cent of gross domestic product and Japan's economy would have room to grow at 5 per cent a year until the end of the century before the gap was closed – a spritely performance for a mature economy.

Hosokawa denies he lied to parliament

By William Dawkins

Mr Morihiro Hosokawa, Japan's former prime minister, yesterday denied that he had lied to parliament over a loan repayment and share purchase.

Mr Hosokawa dismissed as "insulting" his summons before a parliament committee yesterday by the two main opposition groups, the Liberal Democratic party and Social Democratic party.

They summoned Mr Hosokawa in an attempt to embarrass the present minority government, a preliminary to a possible vote of no-confidence.

Leaders of both opposition groups want to vote the coalition out of office after the budget clears parliament, possibly on Thursday, and before the parliamentary session ends on June 29.

However, they have yet to get the support of a significant section of their own ranks, who want to continue negotiating to join the coalition rather than rush into a parliamentary showdown.

LDP-inspired allegations that a Y100m (£636,000) personal loan to Mr Hosokawa in 1982 from Sagawa Kyubin, a gangster-linked trucking group, was an illicit political donation, prompted his resignation in April, after just eight months in power.

Mr Hosokawa was also questioned yesterday on claims that he had tried to cover up the purchase of shares in NTT, the privatised telecommunications company. He again denied wrong-doing.

The ruling coalition initially resisted the summons on the grounds that there was no consensus to interrogate Mr Hosokawa before parliament. But its changed its mind for fear of being accused of seeking a cover-up, a possible pretext for a no confidence vote.

Hosokawa: summons 'insulting'

Taiwan ready for N-power showdown

Laura Tyson on a debate over a fourth nuclear facility

Taiwan's ruling Nationalist party is marshalling its forces for a parliamentary showdown with the opposition over the budget for the government's planned \$6.3bn (£4.1bn) nuclear power plant.

Lawmakers will tomorrow review the state power monopoly Taiwan Power Company's proposed \$4.2bn fiscal 1995 budget for the country's controversial fourth nuclear facility, slated to be ready for production in 2001.

Debate over the plant's budget last year sparked a full-scale melee outside the Legislative Yuan (Taiwan's parliament). Feuding legislators' supporters battled for hours before police were able to overwhelm them.

In a bid to mollify public concerns over safety and costs, Taipower yesterday released a white paper outlining the country's energy requirements and emphasising the need for the plant.

Funding for the project had been frozen following the Chernobyl disaster in 1986 until 1992, when parliament released enough money to restart the project and get the bidding process going.

Taiwan's demand for power is growing at 6 per cent a year. The margin of surplus has been running at between 4 and 8 per cent, against a recommended ratio of 20-30 per cent. Taipower has been forced to ration electricity to industrial users during the summer months for the past several years.

Taipower's existing power generation capacity stood at 19,355MW at the end of 1993. Of total capacity, 13.3 per cent is hydroelectric, 60.1 per cent thermal and 26.6 per cent nuclear. By 2001, assuming construction proceeds as scheduled, installed capacity is projected to nearly double to 34,000MW for a reserve margin of 20 per cent.

It is far from clear whether the Nationalist party can muster enough support to push the budget through, despite holding two-thirds of parliamentary seats.

"The major difference between national energy policy in the 1980s and energy policy in the 1990s is now you have to take the public's views into consideration," observed a senior researcher at a government-backed think-tank, the Chung Hwa Institution for Economic Research.

Residents living near the proposed site in Kungliao township near Taipei are fighting the project. Some 10,000 people joined an anti-nuclear protest march in the capital on May 29. Critics of the plant say that, apart from safety concerns, waste disposal will be problematic in crowded Taiwan.

Opponents say that adding coal- or gas-fired thermal plants would address the energy supply problem without creating the public uproar fomented by nuclear power.

Meanwhile, contractor bidding on the project remain in limbo pending the outcome of the legislative session. Three companies – ABB, the Swiss-Swedish concern, through its US entity Combustion Engineering, Westinghouse in partnership with Nuclear Electric, the UK public utility and France's state-run Framatome – are in the running for the nuclear reactor contract, set to cost \$2.2bn.

If MPs pass the budget, contracts are should be awarded late next month or in August. Bidding for the plant's turbine generators, set to cost \$1.9bn, is still in the pre-qualification stages.

Further down the road, the government has drafted regulatory changes which would break Taipower's monopoly on the power industry by allowing private sector companies to own and run power plants.

The proposed changes were in response to an application by Formosa Plastics, Taiwan's largest private conglomerate, to build a coal-fired plant. Taipower is discussing the logistics and technicalities of such changes with the Ministry of Economic Affairs. It is unlikely that a result will emerge for at least one or two years, Taipower officials say.

Mr Gordon Wu, head of Hong Kong conglomerate Hopewell Holdings, came to Taiwan on a reconnaissance trip in March. Hopewell is credited with alleviating chronic power shortages in the Philippines. But Taiwan has many battles to fight before Mr Wu can begin to hope for a piece of the action.

Officials say China's doubts about airport seem to have been met

Hong Kong talks make good progress

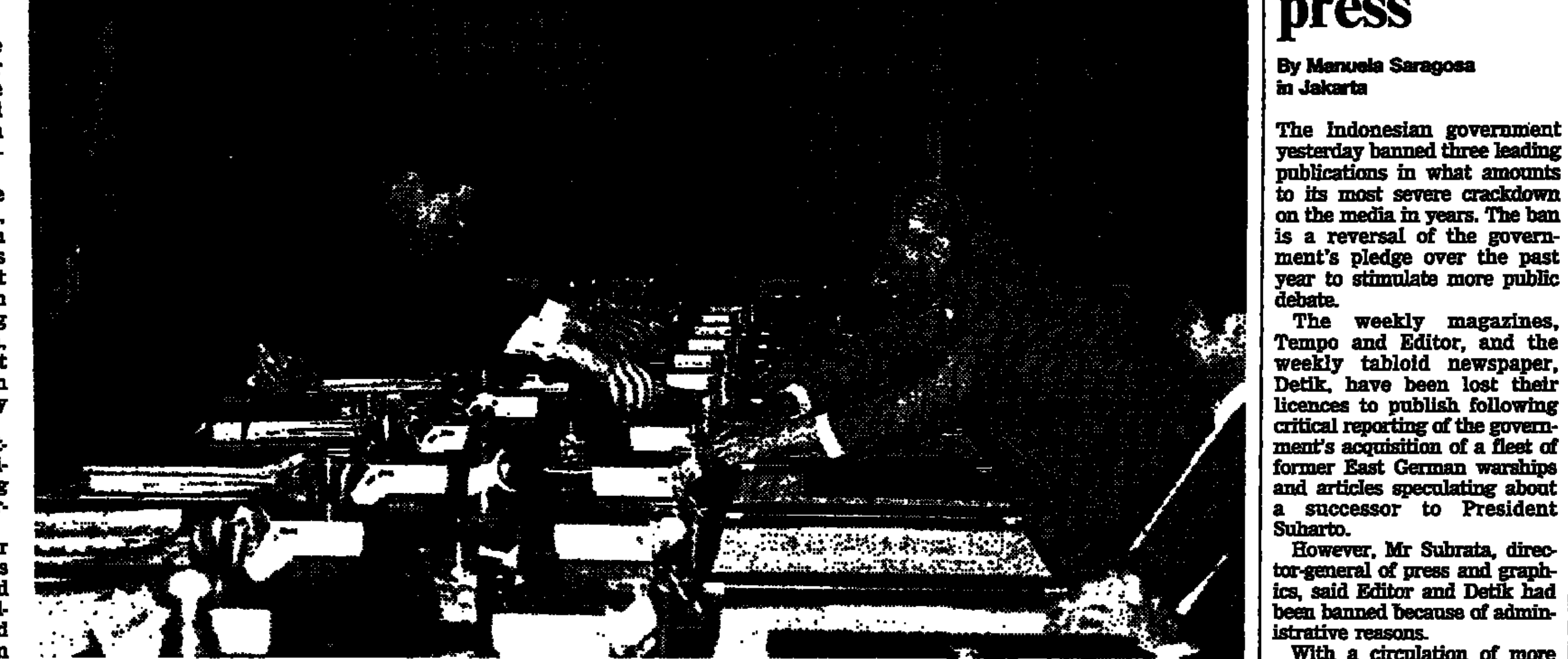
By Simon Holberton
in Hong Kong

The former mansion of Banque Indochine's general manager in Hong Kong was the venue yesterday for what might well have been the turning point in Britain and China's long running row over Hong Kong.

Standing on the steps above the terrace of Seabourne Villa, a large colonial house built in 1905, Mr Hugh Davies, the UK's representative to the Joint Liaison Group (JLG), which deals with the details of Hong Kong's 1997 transfer to China, proclaimed that "excellent progress" had been made on the first day of the three-day meeting.

Mr Davies said a top bilateral group would meet on Friday to discuss financing Hong Kong's HK\$159bn (£13.5bn) airport project.

Government officials later said China's previous concerns about financing the airport and its connecting railway, including the issues of land sales and debt, appeared to have been met. Short of fresh demands, officials could think of no reason why the financial plan could not be agreed on Friday.



Hugh Davies (left) pours a drink of water for Guo Fengmin as the two delegation chiefs get down to talks in Hong Kong yesterday AP

Over the past few months China has signalled a desire to repair relations with Britain and get back to work on Hong Kong's transfer of sovereignty. But in terms of what Britain and China need to do by 1997 the airport is like the visible part of an iceberg – largely hidden from public view is a vast amount of work which remains to be done.

Awaiting the attention of the JLG is, among other things, the regularisation of Hong Kong's law, sorting out the colony's air services agreements, the extension of the colony's container port, and determining what sort of travel documents Hong Kong citizens will use after 1997.

At Seabourne Villa, Mr Davies and Mr Guo Fengmin, his Chinese counterpart both acknowledged the tightness of the timetable ahead.

Mr Guo noted at yesterday's photocall: "There are only three years until 1997 and there are a lot of problems for the JLG to discuss if a smooth transition is to be guaranteed."

The need for a "smooth transition" may well be the motive propelling China toward agreement. But some Hong Kong government officials will only believe Beijing has had a change of heart when they see concrete evidence of it.

The Chinese walked away from a deal on military land and are busily trying to extract further concessions from the UK. At Friday's meeting of the Airport Committee, Beijing may decide on one further turn of the screw to see if more can be extracted from a colonial government keen to show the world that its relations with China are returning to normal.

Indonesia cracks down on press

By Manuela Saragosa
in Jakarta

The Indonesian government yesterday banned three leading publications in what amounts to its most severe crackdown on the media in years. The ban is a reversal of the government's pledge over the past year to stimulate more public debate.

The weekly magazines, Tempo and Editor, and the weekly tabloid newspaper, Detik, have been lost their licences to publish following critical reporting of the government's acquisition of a fleet of former East German warships and articles speculating about a successor to President Suharto.

However, Mr Subrata, director-general of press and graphics, said Editor and Detik had been banned because of administrative reasons.

With a circulation of more than 450,000, Detik is by far the most popular of the three. Tempo, a pro-establishment journal, has a circulation of 200,000, while Editor sells 87,000 copies a week.

In the last week Mr Suharto is reported to have accused the media of playing one party against the other on the case of the purchase of the East German warships. The purchase was organised by Mr J.B. Habibie, minister for technology and research and a Suharto protege, but was opposed by the military.

Last week, Indonesia announced that its year-old period of unprecedented openness would continue, but warned journalists to adhere to what it called ethical reporting after recent coverage of politics drew fire from senior officials.

Under Indonesian press laws, the Information Ministry can revoke the licence of publications. The last ban was in 1990 when the Monitor tabloid published an article considered blasphemous to Moslems.

Diplomats and activists said the move was aimed at muzzling the more outspoken of the country's revitalised media.

Boutros Ghali supports move

Paris presses UN over Rwanda plan

By Michael Littlejohns
at the UN, New York

France last night pressed a sceptical United Nations Security Council to sanction the despatch of up to 2,000 French troops to Rwanda to protect civilians caught in the vicious civil war.

Despite opposition in some quarters and serious reservations in others, the plan is expected to be approved because it has the backing of Mr Boutros Boutros Ghali, UN secretary general, and no one wants to be seen standing in the way of a humanitarian mission.

Mr Jean Bernard Merimee, the French delegate, has repeatedly emphasised that France seeks no political or military advantage and that the mission would be "absolutely" protective.

However, he will have to spell out just how and where the troops would enter Rwanda since the Patriotic Front rebels have promised to turn them back. Mr Merimee said the French would do everything to avoid such a confrontation.

In Rome, Mr Antonio Martino, Italian foreign minister, sharply criticised the French proposal, voicing fears that any white troops entering Rwanda would be "torn to shreds". In Geneva, the World Council of Churches urged France to abandon the plan saying the entry of French troops would worsen the crisis and make a solution even more difficult.

Mr Boutros Ghali, who discussed the crisis yesterday with Mr Douglas Hurd, UK foreign secretary, is trying to assemble a 5,500-man all-African UN force. Because of logistical problems he has told the Security Council that it would be impossible to have it in place in much under three months.

Ethiopia, Ghana, Senegal, Zambia, Zimbabwe, Congo, Malawi, Mali and Nigeria have all offered infantry soldiers, but in most cases only on condition that equipment needs are met by the more affluent countries.

This will create further delays because the troops must be trained in the use of unfamiliar equipment – another reason why the French plan seems likely eventually to gain acceptance.

Britain has offered 50 trucks for infantry and cargo and the US will lease 50 armoured vehicles. A South African offer of armoured vehicles still is under consideration. Russia is considering whether to supply eight transport helicopters and a number of heavy cargo aircraft.

See Editorial Comment

Hongkong Bank may curb home lending

By Louise Lucas in Hong Kong

Hongkong Bank, the colony's biggest mortgage lender, may tighten lending to 60 per cent on mass-market homes from the current 70 per cent following an 18 per cent year-on-year surge on loans last month.

The bank, which is estimated to have a 28 per cent share of the domestic mortgage market, saw new loans tip HK\$2bn (£170m) in May. Mr Edwin Lau, head of retail banking at Hongkong Bank, said: "We are concerned that we have been taking in a lot of new mortgages every month despite all earlier measures, and we don't want to reach the stage where we have to say to the market: "Hongkong Bank will no longer accept mortgages. ..We feel we might have to do something sooner rather than later."

He said the bank was considering tightening lending by 10 per cent.

Requiring home buyers to put up deposits of 40 per cent on medium-sized properties worth less than HK\$5m is unlikely to have more than a limited impact on property prices – it would follow two rounds of banking curbs in 10 months – but analysts say it may undermine government measures to damp rising house prices.

Reduced loan ceilings could force buyers into the primary market, where special financing deals prevail. This pre-sale market is one of the key targets of the government measures: under the new rules, buyers cannot sell on the entitlement to an uncompleted flat – which in effect leaves them sitting on a non-liquid asset for some six months.

Developers such as Hutchison Whampoa, the ports-to-property hong controlled by Mr Li Ka-shing, offer loans of up to 85 per cent of property price.

Developers have been cutting prices by around 10 per cent in recent months, since the government's intentions on property were first signalled. Hutchison is bringing some 80 flats to market this week at HK\$5,112 per square foot, 10 per cent below the HK\$5,700 per square foot peak price achieved in the same development's last sell-off three months ago. The development, South Horizons, is exempt from government curbs on resale as consent to assign was granted to the entire development before the measures were introduced.

Hang Seng Bank, the listed Hong Kong banking subsidiary of HSBC, is also keeping a watching brief on mounting loan applications, although it has no plans now to introduce further curbs.

Third World child health improves as violence worsens position in west

By James Harding

The widening net of immunisation and better primary health care are improving the lives of children in developing countries, while growing violence in industrialised societies is leading to a worsening in their security, according to a United Nations report* published yesterday.

The 1994 Progress of Nations report, issued by Unicef, the UN children's fund, assesses global developments in child health, nutrition, education, family planning and progress for women.

The report explains the need for an examination of social development as opposed to strict economic indicators by citing cases such as Vietnam, which, with a per capita GNP of \$240, has a far better child survival rate than Algeria with a GDP per capita nearly seven times higher.

The assessment of quality of life for children in the industrialised world is the most striking confirmation of Unicef's view that social development is not "an automatic by-product of economic advance". It cites the US where one in five children is living in poverty, 8m lack health coverage, 3m a year are reported to be neglected or physically or sexually abused - triple the number in 1980.

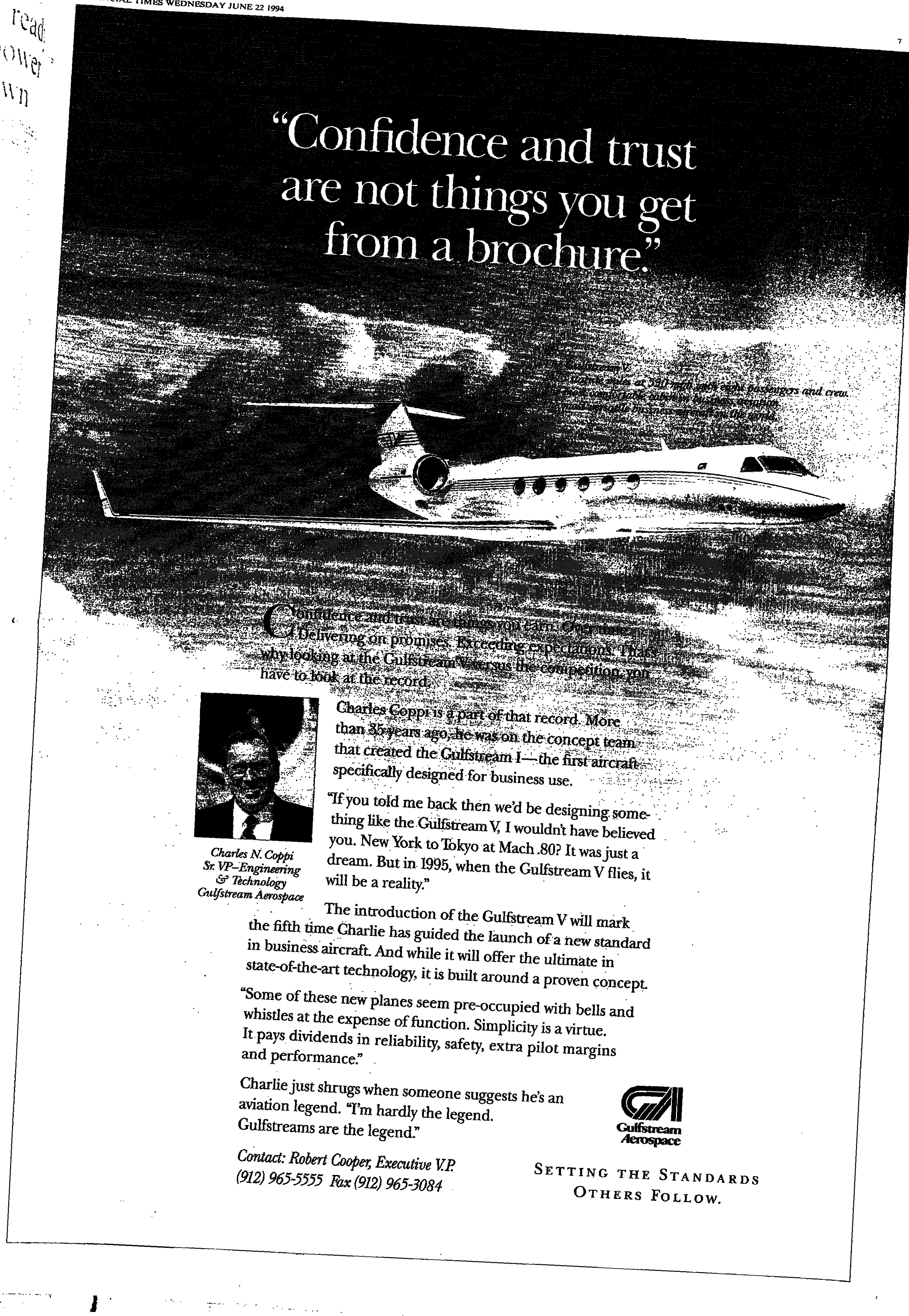
Unicef's account of social development in the Third World is predominantly upbeat. Fifteen years ago, benefits of immunisation were restricted to no more than 15 per cent of the developing world's population; today they reach almost 80 per cent, preventing about 3m child deaths a year.

Falling infant mortality is coupled with a drop in fertility. Since 1960, the family planning rate in the developing world has risen from about 10 per cent to 55 per cent and family size has fallen steeply to an average of 3.7 from 6.

Nevertheless, 2m children die each year from vaccine-preventable disease and a further 3m from diarrhoeal disease. The report forecasts Aids will claim up to 850,000 extra child deaths a year by 2010. Malnutrition remains the largest single factor in infant mortality.

Although more than 150 nations signed the 1989 Convention on the Rights of the Child, violations continue to escalate. The report highlights the growth in the sex-tourism industry, estimating 1m child prostitutes in Asia alone.

'The Progress of Nations' published by Unicef costs £5.00 and is available from Unicef, 55 Lincoln's Inn Fields, London WC2A 3NB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SETTING THE STANDARDS OTHERS FOLLOW.

Threat to kill Mexican kidnap victim

By Damian Fraser in Mexico City

The kidnappers of Mr Alfredo Harp Helú, joint head of Mexico's largest bank, have threatened to kill him unless his family and partners agree to pay a ransom by tomorrow, according to letters sent to Mexican newspapers.

Mr Harp Helú, the president of Banamex-Accival and one of Mexico's wealthiest men, was abducted in March. His kidnapping sent Mexico's stock market tumbling, and heightened concerns about political and social instability this year.

The latest letter from the kidnappers, if authentic, contradicts recent reports that the family of Mr Harp Helú had already agreed to pay a ransom. The kidnappers wrote that his representatives had refused last Monday to pay the ransom demand, reduced from an initial \$90m (£59.2m) to a reported \$60m.

The kidnappers promised to kill the captive financier unless his son, his lawyer and a representative of the Catholic Church appear on Mexico's main TV news programme and declare their willingness to pay the ransom, and agree not to involve the police.

● Sub-comandante Marcos, leader of the rebel Zapatistas in the southern state of Chiapas, has warned of imminent civil war in Mexico unless there is a "democratic transition", according to an interview in La Jornada newspaper.

He said there were armed groups in Mexico ready to rise against the government if there were no genuine democratic opening before the August presidential election.

The warning appears mainly an attempt to lift the profile of the rebels before the poll.

Argentina miracle needs more foreign capital

Stephen Fidler and **John Barham** on a threat to high-growth, low-inflation economic policies

For three years, President Carlos Menem of Argentina and his economy minister, Mr Domingo Cavallo, have looked like economic miracle workers.

Since 1990, when consumer prices rose by more than 2,300 per cent, they have brought inflation down to single digits, with the figure for the year to May, 3.4 per cent, the lowest in 41 years. But this has not been achieved at the price of a recession – in fact, just the opposite: from 1991 to the end of 1993, the Argentine economy expanded 25.5 per cent.

The medicine for this magic combination of low inflation and high growth has been big inflows of foreign capital.

The government's fiscal rectitude, the settlement of its 1980s bank debt defaults and Mr Cavallo's convertibility plan – which fixed by law the Argentine peso at parity to the US dollar – have led to enthusiastic support of the Argentine economy by foreign investors. An estimated \$33.5bn (£22bn) of capital flowed into the country in three years, more than half – \$17.6bn – entering last year.

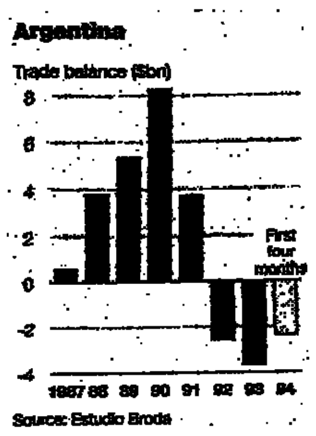
This year, though, things look different. Since February 4, when the US Federal Reserve raised interest rates, foreign investors have been stingier and inflows to almost all emerging markets have slowed. In Argentina, where the convertibility plan means there is a direct relation between capital inflows and money supply, slower capital inflows mean slower growth.

As a result, Mr Miguel Angel Broda, who runs an economics consultancy in Buenos Aires, expects growth to fall this year to 3.5 per cent, from 6 per cent last year.

Yet slowing growth and dependence on volatile foreign capital are not the only economic worries for Mr Menem, who is seeking, from a special assembly now in session, a constitutional revision to let him seek re-election next year.

Argentine trade sank further into deficit in the first four months of the year – \$2.4bn, against only \$500m in the equivalent period of 1993 – providing grist for critics who say the peso is much overvalued.

Yet Mr Cavallo says he is unworried. Although the deficit is high in terms of Argentina's trade – it has been running at more than half the level of exports – it is small compared with the size of the economy. Even if the deficit continues at this rate for the rest of the year, which is unlikely because of higher crop prices from May, it will be equivalent to less than 3 per cent of GDP.



Source: Estudio Broda

What's more, Mr Cavallo says, the figures also indicate a big jump in capital goods imports, providing the base for a new export sector.

But economists say government statistics are inadequate and probably overstate investment. Even Mr Cavallo recognises that investment, 18.4 per cent of GDP last year, is too low, although he says it was 28 per cent higher in the first quarter than a year earlier.

For more than a year, Mr Cavallo has promised measures to encourage domestic saving – necessary to reduce dependence on capital inflows – and investment.

But the government's private pension fund plan has got off to a disappointing start and, says Mr Rosendo Fraga, a political analyst, there has been a paralysis in new structural economic reforms as Mr Menem has manoeuvred for the chance of re-election.

The elections in April for the constituent assembly were also a setback, with Mr Menem doing less well than he had hoped, and a strong showing by the left being interpreted as an indicator of increasing concern about social issues, such as poverty and rising unemployment.

Indeed, says Mr Broda, the overall strong economic indicators hide some profound weaknesses. "There are some provinces where GDP has fallen 25 per cent in three years. There are geographical and sectoral distributions which are very different to the overall picture."

This has emphasised, says Mr Broda, "that Menem is more dependent on Cavallo and the performance of the economy". It has also "put the government on the defensive. I don't think that, in the next year, they can advance the reform."

Yet, while developments such as riots last December in the provincial capital of Santiago del Estero have given cause for concern, few observers believe Argentina is on the verge of imminent social crisis.

Mr Broda says the government had pushed through 85 per cent of the necessary reforms but that, without labour and social security reforms, "you can't guarantee that you aren't going to have problems."

He and others believe there is a strong probability that capital flows will be sufficient to maintain growth in positive figures until beyond the presidential election, due to take place in the April-June period next year.

The government has some leeway to supplement those flows for the coming 12 months – for example, by selling its remaining stakes in privatised companies. The sale of its shareholding in YPF, the privatised national oil company in which the government retains 20 per cent, could raise close to \$2bn.

Yet this cushion will not last for ever. By next year, the government will have run out of assets to privatise. Without growth in its capacity for exports and in domestic savings, there will remain grave doubts about Argentina's capacity, in the long run, to pay its way in the world.

Until these doubts are removed, the inexorable logic of the convertibility plan means that a slowing of capital inflows will cause a deceleration of the economy. The survival of the Argentine economic plan will then depend on the willingness of Mr Menem – or of a successor – to tolerate recession.

WORLD CUP

Niceness reigns in the heat of battle

Jurek Martin in Washington finds plenty to cheer about as the tournament gets into its stride

It won't last, of course. Somewhere, somehow, soccer must beget mayhem because that it is the natural order of things. But it has not happened so far. Over the first four days, 10 matches in eight cities produced only sweetness and light, on the field and off it.

First, the players are being nice to other players *from other teams*. Only two have been sent off, one a Bolivian substitute who clearly wandered on the field by mistake for three minutes thinking he was playing in the last World Cup – and even then the referee's judgment seemed a little harsh.

Next, the fans are being nice to each other. Even the Dutch, more boorishly English than most, contained themselves after their victory over Saudi Arabia here on Monday night, perhaps because they realised they were a little lucky to get a win at all. Their orange-clad masses made a lot of racket compared with the Saudis, but doubtless the 50 princes present would have frowned on unseemly behaviour.

Finally, the great American watching public, both the couch potatoes seeking relief from the heat and inexorably drawn to the O J Simpson drama played out live, as well as those at matches, seemed quite beguiled by it all. In the TV ratings on Saturday afternoon, Italy against Ireland outdrew the US Open golf, even though Nicklaus and Watson, two American icons, were at the time contending for the lead.


Two Saudi Arabia fans during Monday night's game against Holland in Washington. The Saudis lost 2-1 Picture: AP

The on-field vignette that most caught the spirit featured Jostein Flo and Jorge Campo. Flo is a very tall Norwegian striker, Campo a very short Mexican goalkeeper who compensates by wearing a jersey and shorts that would make a psychedelic Sumatran parrot look dowdy.

Flo, sensibly playing to his advantage, spent most of the first half climbing all over Campo, who frequently ended up on the turf. The Hungarian referee, who had obviously been reading up on the importance of Nafta, considered this an unfair trade in bodies and repeatedly blew his whistle, though objective observers thought Flo was a little hard done by.

But, as they waited for a corner kick in the second half, their tongues hanging out in the stifling 96° heat, there was Campo handing Flo a water bottle, not laced, as far as can be told, with tequila or jalapeño peppers. Moreover, Flo did not throw it back at him but politely returned it. They might even have smiled if they had had energy left to spare for lip movements.

It was much the same in the Saudi-Dutch match. The sons of the desert kept offering a hand to any cloggie they had just hacked down, which they managed frequently and with enthusiasm. This unnerved the Dutch at first, who tended to treat any fallen Saudi with suspicion, largely because the Saudis fell often and with a dramatic effect that suggests that their latest South American coach had been reading Lawrence of Arabia rather than the Koran. But, in the end, the Dutch became positively benign, too.

Even the Russians, beaten far worse by Brazil than the 2-0 score implied, contained themselves, though they conceded the only penalty so far awarded. Not that there were many sympathetic Russian supporters out at Stanford Stadium in Palo Alto to egg them on to dirty deeds. The few ancient and hardy Sovietologists from the Hoover Institution were easily outnumbered by the travelling Brazilian press corps alone, most of whom spent their time getting Pelé's autograph.

A contributory factor may be the referees. This is not because they have been calling games tight amd flashing yellow cards at the hint of a nudge. The more likely answer is that their authority has been enhanced by new uniforms. No longer garbed in sinister black, the refs now sport a rather gorgeous mauveish-purple, uncannily similar in hue to that of a Church of England bishop, though flashier.

Fan contentedness also matters. Washington has been a sea of celebrants, driving round in cavalcades and making polite merry in Georgetown's bars. Norwegians did not impale Mexican sombreros on horned helmets after their Sunday victory. A local Catholic priest urged his constituents on the morning after the loss to Ireland to pray for the Italian team rather than to make Norway an offer it could not refuse before tomorrow's match in New York.

US media coverage has also been conspicuously helpful to the uninitiated. Where US sporting jargon has been introduced into commentaries, it has tended to enlighten, not confuse. Thus, from ice hockey, comes the expression that a goalkeeper was beaten "on the high side," and from baseball that a player "steps up to the plate" to take a free kick. Less felicitous is the word "rejected" for any kick into touch, because a blocked shot in basketball is one of the game's high points.

But US broadcasters have also adapted and begun to speak of draws, not "tied games," and of one-nil, not one-zero. The absence of commercial interruptions has been an unmixed blessing, though the commercials that dominate half-time and the pre- and post-game shows do not speak much for the creative talent and knowledge of soccer of the American advertising industry.

US mania with sporting statistics, in which simple soccer is fundamentally deficient, sits less easily. After each quarter of a basketball game, the press boxes are provided with minute detail about every shot, pass, assist and foul. So, after half-time here, sheets are issued with no less than 16 statistical categories, including the number of times the ball has been headed, by whom and in what part of the field. The foreign hacks crumple them quickly.

But, in the end, it is the matches themselves which have most entertained. Even if goals have not come by the glut, all games have been competitive, except possibly Brazil-Russia. Some favoured teams – Italy, Colombia, Spain, Mexico – have been found wanting at the first hurdle. The gap between the touted and the unsung has not appeared that great.

Saudi Arabia, indeed, could – though not should – have beaten Holland. Fuad Amin's first-half header was a deliciously clinical piece of work and not the only example of his eye for the goal. For the 45 minutes he played, Majed Abdullah, the "Desert Pelé," gave Koeman and van Goebbel in the Dutch defence fits, as did his replacement, Falatah, and Owairan.

It took a mighty strike by Wim Jonk and an 87th-minute error by the previously excellent Al Deayea in the Saudi goal – a weak punch gave Taument a header into an open net – to bring Holland through. The Saudis did tire badly in the last 20 minutes, but their worst fears of humiliation were easily avoided. After the game, faithful retainers handing out information leaflets about the Kingdom even found some takers.

For what it is worth at this early stage, and with Nigeria and Argentina due to play their first games later yesterday, Brazil and Germany (though not at their best in beating Bolivia) still look the cream of the crop. In their respective ways, Ireland, Holland and Norway have shown they will be no easy marks.

Today's match between the US and Colombia looms as the next biggie. The US did not impress in drawing with Switzerland, but Colombia, picked by no less than Pelé to win it all, were simply awful in losing 3-1 to Romania. If Colombia recover form and score the goals they now need, US progress into the second round will be doubtful, and so will domestic interest in the competition.

Or so conventional wisdom has it, but it could be wrong. If the World Cup continues to overflow with its present spirit, the national hangover may endure.

Goalkeepers caught out by spin of high-tech ball

Already, World Cup goalkeepers are winning – and losing – matches. Michel Preud'homme of Belgium, Romania's Bogdan Stelea and Ireland's Packie Bonner starred in their sides' opening games. But when it comes to Colombia's Oscar Cordoba or Carlos Trucco of Bolivia – *don't ask*.

However, Preud'homme has criticised the World Cup's new Questra ball, from adidas. While it helps the forwards, the lighter, swifter Questra ball makes goalkeeping even trickier.

"Look at Hagi's goal," said Preud'homme, referring to Romania's second goal in their 3-1 win against Colombia. From the left side, Romania's Gheorghe Hagi kicked the ball – a fluke cross or a brilliant lob? debate still rages – and it sailed into the net over Cordoba's head.

"The ball curls early on and suddenly it stops. If it starts that way, it has to continue that way," said Preud'homme, complaining of inexplicable deviations in the ball's flight.

Cordoba concurred. "The flight of the ball fooled me," he said, refusing to take full blame for Colombia's loss. "I don't think I can be considered [solely] responsible. The team has always celebrated success together. Why not defeat?"

The authorities wanted to encourage goal-scoring, so the new ball has a glossier surface that cuts air resistance, allowing it to travel up to 15 per cent faster. It is made of five separate materials, including a new polyethelene foam; when combined, says adidas, they "provide high energy-return properties, strength, durability and control." The Questra was developed at adidas ball-research facilities in France, and field-tested in France and Germany.

"It's always the same," says Preud'homme. "Ahead of each World Cup they change the balls." For the World Cup teams, peculiar happenings may lie ahead. Just ask the goalies.

■ Results

GROUP D

Argentina ....4 Greece 0

■ Today's games

GROUP A

Romania vs Switzerland
Detroit (9:00 pm BST)
United States vs Colombia
Los Angeles (12:30 am Thurs. BST)

Argentina cruise to first victory

Gabriel Batistuta scored a hat-trick and Diego Maradona got another as Argentina thrashed Greece 4-0 in their opening Group D game in Boston last night.

Greece had a disastrous start to their first-ever World Cup finals match going a goal behind after some slack marking in the second minute.

Maradona's goal on the hour recaptured his great days of 1986, when he led Argentina to its last title. In the final minute, Greek defender Stratos Apostolakis handled just inside the penalty area and Batistuta hit his third goal from the spot kick.

Irish effort for ticketless fans

Senior Irish government officials, in Boston on a state visit, are trying to find World Cup tickets for 379 Irish fans whose arrangements with a British travel firm have not worked out brilliantly.

The affected fans paid \$1,800 each for Sportex packages that included round-trip transportation to the US, flights between soccer venues in New Jersey and Florida, and tickets.

"[Sportex] has given assurances to compensate or make good on their commitments," said Conor O'Riordan, the Irish counsul-general in Boston.

Balder Battu, the Sportex lawyer, refused to say what went wrong with the two tours. "This is the first time something like this has happened," he said.

All at stake for Colombia and US

Colombia's assistant coach Hernan Gomez said the team were more united than ever, ahead of today's match against the US in Pasadena. Poor results in their opening Group A matches mean that defeat today, for either, could seal elimination.

The US drew 1-1 with Switzerland. If they lose to the South Americans, their place in the second round would depend on winning big over Romania in their last group match and hoping for other results to fall their way.

Defeat for the US would almost certainly mean a first-ever first-round elimination for the host country.

US trade deficit up as exports decline

The US trade deficit rose sharply in April to $8.4bn (£5.5bn) against a revised $6.9bn in March, official figures indicated yesterday, putting additional downward pressure on the US dollar in foreign exchange markets, Michael Prowse writes from Washington.

The rise in the deficit was larger than most economists expected and mainly reflected a 3.3 per cent decline in exports from March to $56.2bn. Imports fell slightly to $64.6bn. Part of the weakness in exports, however, reflected an erratic decline in exports of gold bullion.

The figures pointed to a widening gap in the trade performance of goods and services. The deficit on goods rose to $13.3bn against $11.5bn in March. The surplus on services rose to $4.9bn against $4.6bn.

The overall deficit for the first four months was $32.7bn against $20.8bn last year, indicating a deterioration in the US's external position. The deficit on goods so far is $50.2bn, indicating the US is heading for its worst showing on merchandise trade since 1987 when it exceeded $152bn.

The poor figures, however, mainly reflect faster economic growth in the US than in other leading economies, rather than a loss of US competitiveness. The deficit may thus decline once Europe and Japan emerge fully from recession.

Weak dollar complicates Greenspan's task

Michael Prowse on market-created tensions on the eve of Fed chairman's House testimony

Mr Alan Greenspan, the Federal Reserve chairman, faces an unusually difficult challenge in today's testimony before the House of Representatives budget committee.

Gobal financial markets will be looking for signals that the Fed is willing to take tough measures to defend the dollar, which has plunged on foreign exchange markets in recent days. Many investors believe the Fed must tighten monetary policy another notch and lead another round of global intervention to support the US currency.

Yet Mr Greenspan's Capitol Hill audience will not be greatly concerned that the dollar has fallen through key support levels against the yen and D-Mark.

Legislators worry about domestic growth and jobs; they care about dollar weakness only to the extent that it pushes up long bond yields and thus threatens to depress US economic activity. Many are still not convinced the increases in short-term interest rates announced earlier this year were necessary, and worry that the tighter policy is already retarding growth.

The views of senior administration officials fall somewhere between these two extremes. They certainly want to avoid a dollar free fall, yet they see no reason why domestic US economic policy should be dictated by fleeting shifts of mood in global financial markets.

But for the turmoil in markets, US policymakers would probably feel fairly relaxed. Most forecasters believe the underlying pace of economic growth is moderating from an annual rate of about 5 per cent in the second half of last year to a more sustainable 3 to 3.5 per cent. Some believe growth could slow to an annual rate of 2 to 3 per cent in the second half of this year, in line with the economy's long-run potential.

At the same time, despite increases in commodity prices, there is little hard evidence of strong upward pressure on inflation. The administration view is that nearly all components of demand point to more moderate growth. Consumer spending must decelerate because consumption outpaced personal incomes last year, sharply depressing the savings rate. Housing will provide less of a boost because the sharp increase in mortgage rates since February is reducing consumer demand.

Growth of business investment will remain healthy but must moderate somewhat since spending on information processing equipment cannot grow at double-digit rates indefinitely. Government spending will remain weak, reflecting continuing efforts to reduce the federal deficit.

Net exports are likely to remain an economic drag at least until early next year because the US is still growing more rapidly than most of its trading partners.

Several recent reports appeared to support this comforting prognosis of steady, but not worryingly rapid growth. Retail sales fell in April and May. Housing starts have failed to regain last year's peaks. Growth of industrial production has slowed sharply. Figures yesterday showed a decline in exports in April and an increase in the trade deficit.

But administration officials admit the economic picture is blurred. The jobless rate has fallen far more rapidly than anybody expected – to 6 per cent in May against 7 per cent in December. This puts it at or below most estimates of the natural or "non-accelerating inflation rate of unemployment (Nairu)".

In the late 1980s inflation began to rise quite rapidly once unemployment fell below the Nairu. But officials say the data may be misleading because the way unemployment is measured has recently been changed.

Since payroll employment is also growing rapidly, estimates of output based on projections of hours worked and productivity point to much faster growth than suggested by the spending data. Hours worked, for example, point to real growth at an annual rate of 6 to 7 per cent in the second quarter, more than double the pace indicated by expenditure estimates.

On domestic grounds, Mr Greenspan probably regards further increases in short-term rates as desirable but not yet an urgent priority. He is probably less confident than the administration that growth is slowing to a sustainable pace and more worried about the inflation outlook: producer prices, for example, rose at an annual rate of more than 3 per cent in the first five months, a sharp acceleration from last year. Leading indicators suggest consumer price inflation could rise this autumn.

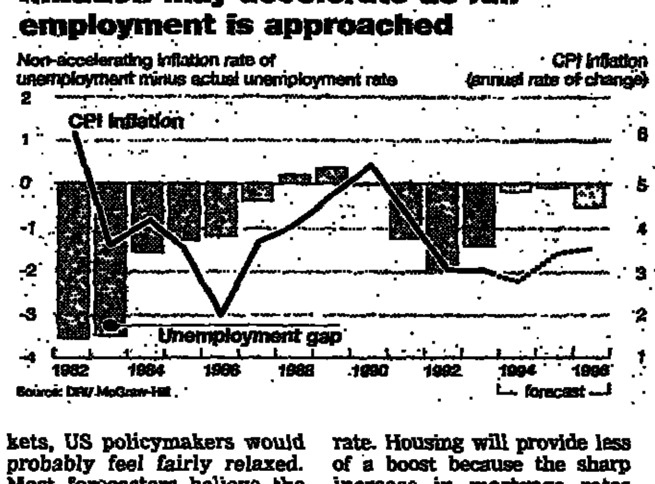
The dollar's weakness, however, complicates matters. Last month, the Treasury signalled that it cared about the dollar's absolute value, not just its rate of change against other currencies. It wanted to do more, in short, than maintain "orderly" conditions in currency markets.

Yet on a longer view, the administration believes that currencies must reflect economic fundamentals, including differences in relative inflation rates. It may thus feel ambivalent about defending any particular nominal exchange rate for fear this would provide a one-way bet for speculators – rather as Britain did when it tried to maintain an unrealistic parity against the D-Mark.

History suggests US policy will be geared mainly to the needs of the domestic economy. Mixed signals on growth and inflation suggest the Fed will raise short-term rates again but perhaps not as aggressively as demanded by some global investors. The Treasury and Fed will try to keep currency markets off balance by intervening to support the dollar when least expected.

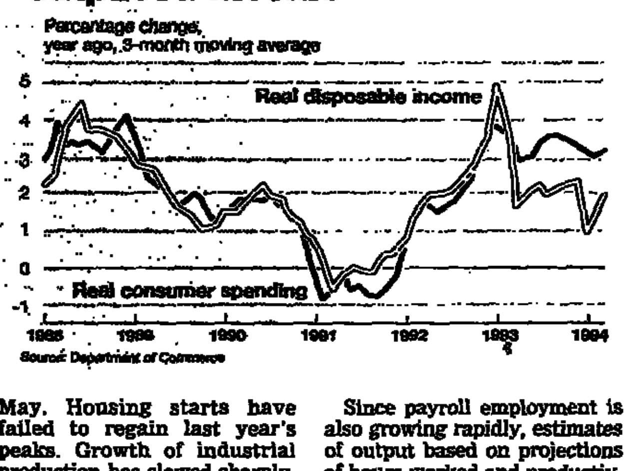
But while anxious to prevent erratic currency shifts, it is not yet clear that US officials put the same priority on exchange rate stability as their colleagues in more open, and thus more vulnerable, European economies.

Inflation may accelerate as full employment is approached



Source: DRI/McGraw-Hill

Consumer spending has outpaced income



Source: Department of Commerce

Amish win exemption from Clinton health insurance plan

Sect members prefer to make their own arrangements, reports George Graham

In the back rooms of Congress, a small and soft-spoken group has moved quietly to knock a small hole in President Bill Clinton's promise of universal guaranteed health insurance, winning itself an exemption from any US healthcare reform bill.

The Amish, an Anabaptist sect which has tried to remain separate from the modern world and whose descendants continue to shun 20th-century conveniences such as cars and electricity, persuaded the House of Representatives ways and means committee to allow them to opt out of universal health coverage on religious grounds.

Mutual help is a strong tradition among the Amish. When a member of the community loses his barn in a fire, the neighbours gather to build a new one – a scene that became familiar to filmgoers in the thriller Witness, starring Harrison Ford, part of which is set in the Amish country of Pennsylvania.

"One of the most basic tenets is that they don't believe in public or private insurance because they believe that it breaks down the community," says Mr Mark Weller, a spokesman for a coalition of businesses that employ Amish, which has led the effort to win the religious exemption.

The Amish came to the US, in search of religious freedom, in the middle of the 18th century, and in a second wave in the early 19th century. About 130,000 now live in 22 states and in Canada, although the population is mostly concentrated in Pennsylvania, Ohio and Indiana.

In some areas, such as Pennsylvania's Lancaster, the black-clad Amish in their horse-drawn carriages have become a popular tourist attraction.

While the core of the Amish tradition is farming, farmland is scarce and Amish families are often large, so many members now work outside their community.

Many are employed in Indiana building the sort of motor-powered recreational vehicles and camper vans that their own customs would not allow them to drive.

The exemption agreed by the ways and means committee, which is closely modelled on a similar exclusion from the social security pension system, would also cover the Mennonites, who have a similar religious objection to insurance.

Advocates note, however, that it would not include religious groups who reject medical treatment of any kind.

The Amish do, in fact, visit doctors, and have even been able to negotiate substantial discounts from hospitals because, when a member is ill, the community pays in cash and in advance.

Few Amish take part in the political process, although they have won exemptions from social security, state unemployment insurance and hard-hat regulations, as well as from the requirement to send their children to school after the age of 14.

The lobbying for the health insurance exemption was largely carried out by their employers – who stand to benefit if they can also win exemption from the obligation to pay the employer's premium envisaged in the Clinton reform plan.

N-waste row to be taken to court

By George Graham in Washington

The decade-old quandary over what to do with the US's nuclear waste has erupted into legal controversy. A coalition of utilities and state power regulators has filed a suit accusing the federal Department of Energy of defaulting on its promise to take spent fuel.

The suit contends that the Energy Department has collected nearly $10bn (£6.5bn) in fees from nuclear power generators under the 1982 Nuclear Waste Policy Act, but is now backing off the act's requirement that it start collecting spent nuclear fuel in 1998.

The Energy Department said the suit was "unfortunate, since we are in the middle of a formal public process to address these concerns".

The search for a permanent nuclear waste dump has dragged on for years with little discernible progress, and the energy department says its proposed central waste dump at Yucca Mountain, Nevada, will not be ready until 2010 at the earliest.

Under the 1982 law and additional legislation passed in 1987, the federal government would have to pay Nevada for accepting the spent fuel at Yucca Mountain, but Nevada would in turn have to give up its right to veto the site, which it has not done.

But many nuclear power plants, which were built with limited storage facilities on the assumption that their spent fuel would be reprocessed or stored elsewhere, are fast running out of room.

The Nuclear Energy Institute, an industry grouping, estimates that 23 plants will have run out of spent fuel storage space by 1998, when the act foresaw that the federal government would take over the responsibility for this highly radioactive waste.

Ms Hazel O'Leary, energy secretary, argued last year that the federal government was not obliged to take the spent fuel if it had no central depository.

Foreign bidders shun British Coal sell-off

By Michael Smith

Government efforts to attract foreign bidders for British Coal appear to have largely failed after it emerged yesterday that at least 23 of the 25 companies considering tenders for the corporation's five core regions are based in the UK.

N.M. Rothschild, the merchant bank advising the government on coal privatisation, is thought to have sent out preliminary sales memoranda to nearly 100 companies, 30 to 40 of them overseas in countries including the US, South Africa and Australia.

However only 33 companies applied to qualify to bid for the five packages and six mines which are being sold separately. Rothschild considered 25 companies eligible to tender for the five regions.

Research by Coal UK, a Financial Times newsletter, has identified 23 of the companies – all of them British. Rothschild has refused to name any of the companies, but it is possible that none of the 25 are based overseas.

Although there are enough UK companies interested to ensure each region attracts one bidder or more, the government will be disappointed by the lack of foreign response.

A tender from an overseas company would have added prestige to the privatisation and could have increased the amount of money raised.

Coal UK's research shows the deep mine areas of the central south (mainly Nottinghamshire) and central north (mainly Yorkshire) regions are the least popular with 10 and nine potential bids each.

South Wales and Scotland have have 14 potential bids each, followed by the north-east with 13. There is only one deep mine left open in these regions: Longannet in Scotland.

Some of the qualifying companies are thought to have only limited interest. Larger companies like RTZ, the international mining conglomerate, and National Power and PowerGen, the electricity generators, are considered unlikely bidders even though they have qualified to bid for all five regions.

Apart from them, only three companies, CP Holdings, NSM and RJB Mining, have qualified for all five regions, although Coal Investments, headed by former British Coal commercial director Malcolm Edwards, has done so through a mixture of direct and indirect interest.

Other potential bidders are: AMEC, the construction group, for Scotland and South Wales; Banks, mining company, for the north-east; Caledonian Mining for Scotland, and South Wales; management buyout team headed by Mr Alan Houghton for central north; Kier Mining for Scotland, north east and south Wales; Law Mining for Scotland; Rackwood, mining group, for Scotland; management buyout team headed by Mr Bryan Riddleston for South Wales; Ryan Group for south Wales; Ryan/Alcan for north east; ScotCoal for Scotland; management buyout team headed by Mr Alan Siddall for the English regions; Taywood for all regions except central north; Wimpey and Powell Duffryn for the north-east and south Wales.

Trade gap with non-EU widens

By Philip Coggan, Economics Correspondent

The UK's visible trade deficit with non-European Union countries widened to a seasonally adjusted £767m in May, as imports rose 2.5 per cent and exports fell 2.5 per cent on the month.

However, the Central Statistical Office revised down April's deficit to £493m, from the previously announced £566m. And if oil and erratic items, such as ships and precious stones, are excluded, May's deficit was just £669m, compared with £614m in April.

In the three months to May, the visible trade deficit was £1.95bn, compared with £2.09bn in the previous three months. If the volume, rather than the value, of trade is considered, the UK is witnessing a modest improvement. The CSO says that, on a trend basis, export volumes are unchanged while imports are falling by ½ per cent per month.

Mr Michael Saunders, UK economist at Salomon Brothers, said "the dip in import volumes is a further sign that suggests that the UK economy is not accelerating into an unsustainable boom and contrasts with the late 1980s import surge."

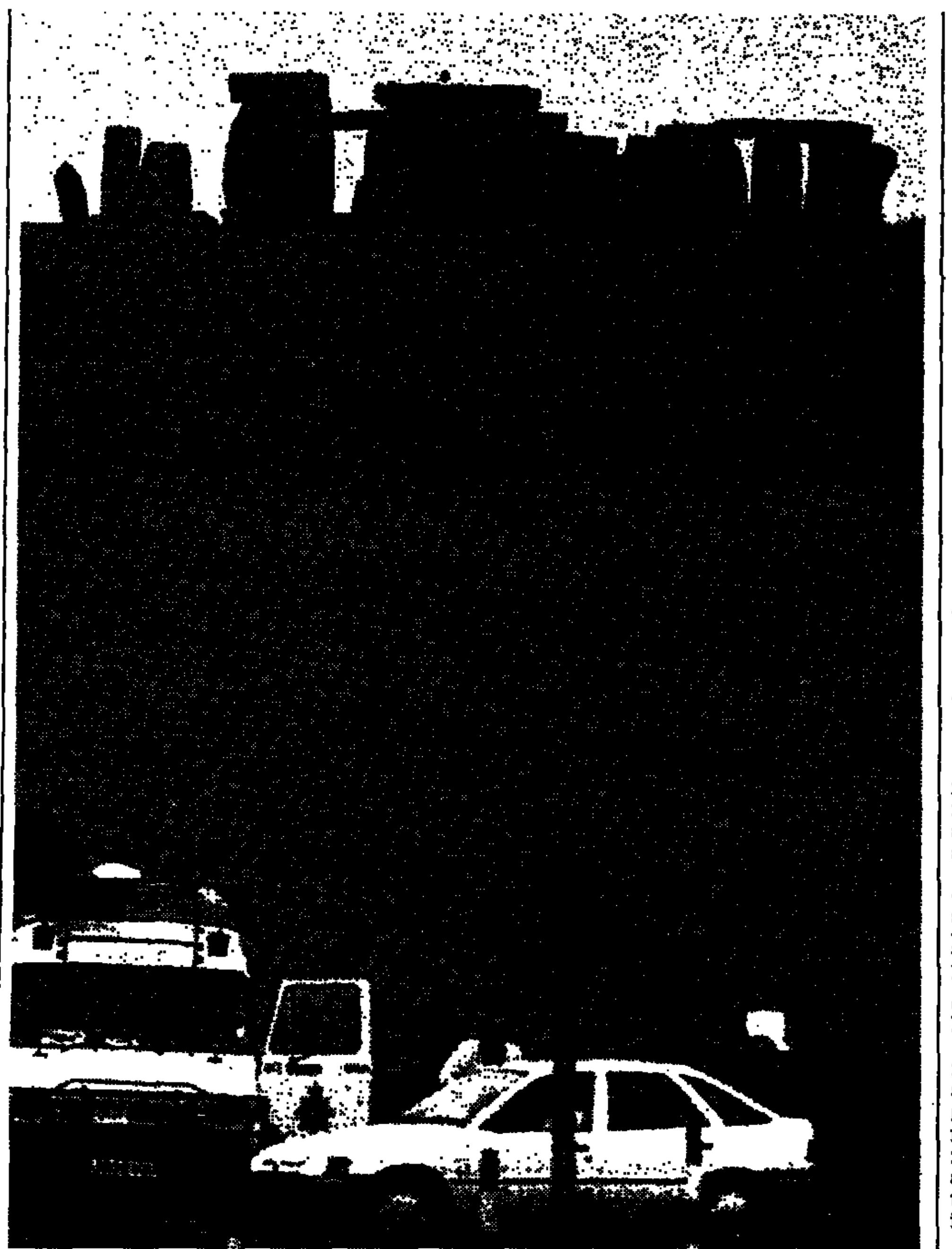
However, Mr Sanjay Joshi, head of bond research at Daiwa Europe, said the figures showed "a disappointing export performance."

Import prices rose faster than export prices in the three months to May, with the main increase coming in basic materials, which may reflect the recent upturn in world commodity markets.

After the recent rise in North Sea production, the oil account was once more in surplus.

In the three months to May, the CSO said there was a sharp rise in imports from other OECD countries, mainly Japan, Australia and New Zealand. Exports to North America and the rest of the world rose over the three month period.

Meanwhile, the UK's trade with Malaysia showed little sign of being affected by the ban on state contracts for British companies. Exports to Malaysia in May were £161m, substantially higher than April's £110m.



At the moment when the sun should have been risen over Stonehenge yesterday, the high point of the calendar for Britain's latter-day sun-worshippers, a police helicopter hovered over the site in pouring rain. Several intruders broke through a police exclusion zone but were ejected by guards. Mr Tim Sebastian, Arch Druid of Wiltshire, berated the assembled press: "This is a symbol of our nation. It is known throughout the world. Stonehenge is England and this is our culture."

Further strikes planned as rail dispute hardens

By Robert Taylor and Kevin Brown

Two further 24 hour stoppages by signalling staff are planned to shutdown Britain's railway network over the next two weeks, following today's disruption in a further hardening of the increasingly bitter dispute.

"My union has no alternative but to continue the action", said RMT rail union general secretary Mr Jimmy Knapp yesterday after the failure of late night talks to resolve the conflict.

He said the signalling staff would strike again on Wednesday 29 June and again on Wednesday 6 July.

"I hope the public will recognise that the responsibility lies firmly with the government and Railtrack the employers", added Mr Knapp.

Mr Bob Horton, Railtrack's chairman, warned further strikes would damage the company's future modernisation. He challenged the RMT executive to reconsider its rejection of Railtrack's productivity based pay offer.

"This strike will harm the industry and our customers and will inconvenience passengers and damage British business", he said. "Every day the network is closed by strike action we are losing income that could contribute to future investment".

"We have offered a restructuring package which recognises the importance of the signalmen to the rail industry and which is about restructuring this industry to meet the needs of the modern railway", he said.

But Mr Knapp said Railtrack, which owns the track, signals, and stations of the rail network, had refused "to address the grievances of signalling staff".

"There is a danger in this dispute of losing sight of the issue", he added. "This is RMT's claim for a payment to recognise past productivity".

Railtrack said it hoped to run twice as many trains today as it did last Wednesday during the first 24-hour strike but this will still mean most of the network will be severely disrupted.

In the Commons, Mr John Major sought to exploit Labour's refusal to condemn the dispute by labelling Mrs Margaret Beckett, the opposition leader, "the strikers' friend."

Mrs Beckett said it was "crystal clear" that the strike had been caused by government interference in negotiations between Railtrack and RMT.

The prime minister repeatedly denied that his office had played any part in pay negotiations, which were a matter for Railtrack and RMT.

Downing Street is bracing for a long-drawn out series of one day signallers' strikes.

A committee of senior ministers has been set up to co-ordinate the responses of government departments.

Ministers believe that the strikes will prove unpopular with commuters, and could reduce Labour's recent popularity in the south of England.

Lobby group still opposes Brussels code

By Robert Rice, Legal Correspondent

Contractors called on the government yesterday to publish new ground rules on compulsory competitive tendering and market testing.

The move followed a recent Appeal Court ruling that European employment protection rules covered the transfer of a hospital cleaning contract from one private contractor to another.

The Business Services Association, a public-sector contractors' lobby group, said, following the court decision, it was no longer possible to sustain the position that the European rules – translated into English law by the 1981 Transfer of Undertakings (Protection of Employment) Regulations, known as Tupe – did not apply to contracting out.

The association said in future contractors would have no option but to tender on the basis that Tupe applied in most cases.

When Tupe applies, contractors must take on the existing workforce on unchanged pay and conditions.

This makes it more difficult for private contractors to undercut public-sector costs.

The Association will continue to press for contracting out to be removed from the ambit of the European rules contained in the Acquired Rights Directive.

But in the meantime it was essential for the government to reconsider details of its market testing and CCT rules in order to maintain genuine competition, it said.

Mr John Hall, the association's director-general, said contractors wanted: express warranties from public authorities as to the accuracy of employee information, together with an indemnity for any undisclosed liabilities; indemnity for historic liabilities accrued while staff were in the public sector; and, longer contract periods to maximise opportunity for cost saving reorganisations of the workforce.

It also wants the government to change its advice that contractors must offer comparable pensions to those in the public sector.

Another group of contractors represented by the Clause 26 Group confirmed yesterday that up to 200 companies holding contracts for work in the local authority sector may sue the government for up to £20m for misleading them over the application of Tupe to contracting out.

Britain in brief

Superhighway may carry public data

Information "superhighways", advanced communications networks capable of carrying text and moving video images to the home and office, are being considered as a means of disseminating official information to the public.

The government said yesterday it was coordinating a review of the possibilities presented by superhighways following the submission of a consultative document prepared by the Central Computers and Telecommunications Agency, a government body which provides central advice on information systems.

The document, "Information superhighways: opportunities for public sector application in the UK" was prepared for Mr William Waldegrave, the public service minister. He welcomed its publication, arguing that technology could be used to facilitate the openness and accessibility that were key principles of the Citizen's Charter - the prime minister's campaign to improve public accountability.

Information superhighways do not yet exist except in rudimentary form. The major telecommunications and computer companies have made dramatic advances recently, however. British Telecommunications is expected to begin "video-on-demand", a choice of movies over conventional telephone lines, by the end of the year.

In the US, a number of trials are under way which exploit the technology to make government information available. Among the possibilities are access to government reports and statistics, access to job vacancies and the electronic submission of application forms.

PO code to protect services

The government outlined a new regulatory framework for a privatised Post Office whose main function would be to guarantee services than stimulate competition. Mr Patrick McLoughlin, trade and industry minister, made it clear that the DTI expects to win over MPs to privatisation with a regulatory structure aimed at strengthening rural services and the uniform letter delivery.

Inner-city plans 'failed'

Government policies for inner-city regeneration during the late 1980s failed to arrest the decline in the centres of England's largest cities, according to a report by the Environment department.

The report says that the £10bn spent on more than 20 programmes under the Action for Cities Initiative between 1988 and 1991 had achieved a "measurable positive impact". The gap between the 57 urban priority areas targeted and other urban areas had narrowed.

But in many of the most intractable inner-city areas, conditions continued to decline, despite large sums of money in regeneration.

Legal challenge over Pergau aid

Mr Douglas Hurd, the foreign secretary, is due to face a legal challenge in the High Court later this week over his decision to endorse a donation of aid to Malaysia for the Pergau dam project.

The World Development Movement, a London-based pressure group on third world issues, is seeking a judicial review of Mr Hurd's decision to fund the project in the summer of 1991. Government lawyers are expected to appear in court to contest the case.

The WDM says that it is calling for the review of the funding of £234m for the Pergau dam on the grounds that Mr Hurd broke the 1980 Overseas Development and Co-operation Act.

According to the WDM, the Act specifies that aid can only be given for the economic benefit of a foreign country or the welfare of its people. The WDM will seek to argue that the dam project has been proved to be uneconomic, and was not in the interests of the local population.

The hearing is due to take place on Friday. The High Court must rule that there is a case to answer before a full scale hearing can be held.

Mr Ben Jackson, WDM's Campaigns Co-ordinator, said: "At issue is whether or not aid is used for the purpose for which parliament votes its budget and the public gives its support."

Judge sentences Thomas Ward

Mr Thomas Ward, the US attorney who advised Guinness on its 1986 takeover of Distillers, has been sentenced to six months imprisonment by a High Court judge for failing to co-operate with the on-going Department of Trade and Industry inquiry into the £2.7bn bid battle.

Mr Ward was sentenced in his absence last month after he failed to comply with DTI requests to give evidence to inspectors. Mr Ward, who was acquitted at the Old Bailey last year of stealing £5.2m from Guinness, has instead remained in the US from where he filed a £58m writ against the drinks company last month. A DTI spokesman confirmed that Mr Ward would now be imprisoned if he returns to the UK.

The DTI inquiry into the takeover of Distillers was announced in 1986 and an interim report was produced in 1988 but never published. The DTI said it is not known when the inspectors will complete their inquiry.

In his writ against Guinness, Mr Ward is claiming loss of earnings from his law practice, libel and slander. The company has said it will strongly defend the action.

Milk Marque attracts '70-80% of farmers'

By Alison Maitland

Milk Marque, the producers' co-operative that will succeed the Milk Marketing Board in November, is confident it will sign up between 70 per cent and 80 per cent of the 30,000 dairy farmers in England and Wales.

Mr Andrew Dare, chief executive, said yesterday that contracts and interest so far indicated this target would be achieved. He had previously confirmed only that over half of all dairy farmers had signed up.

Farmers will be free to sell their milk either to Milk Marque or direct to dairy companies under the board's plans, approved by the government last week, to open the £3.3bn market to competition on November 1.

Mr Dare's confidence of attracting the vast majority of producers will fuel concern among dairy groups that Milk Marque will be too big a player.

The Dairy Trade Federation said it was worried "the arrangements provide considerable potential for the abuse by Milk Marque of the dominant position it seeks to achieve."

Mrs Gillian Shephard, agriculture minister, said last week she expected the Office of Fair Trading and the European Commission to ensure that Milk Marque did not abuse its market power. The trade federation, which has threatened legal action in the past, said it would consider whether the assurances met the needs of buyers and producers for a fair trading environment.

The milk board also announced yesterday it expected Dairy Crest, its processing subsidiary, to be floated on the stock market in late September or October. But it did not rule out that the sale might take place after the launch of Milk Marque, if stock market conditions did not improve.

The proportion of Dairy Crest that ends up in public hands will depend on whether dairy farmers, who are entitled to £65m from the sale for past investments in the company, decide to take the money as cash or shares.

Mr Dare said the board would announce an indicative price next week for Milk Marque's sale of milk to dairy companies, asking them for a response by mid-July.

"If we get more demand than we have supply available, we shall have to look again at prices and adjust upwards, or vice versa if prices are too high," said Mr Dare.

Salad growers warn of sector collapse

Salad growers last night urged the government to take action to prevent the collapse of the £154m sector in the face of cheap imports.

Sir David Naish, president of the National Farmers' Union, led a delegation of growers who told MPs from both sides of the Commons that many UK salad businesses would go bankrupt unless the government helped.

He said overproduction of salad in the European Union had pushed down prices to growers in the UK. Imports of iceberg lettuces from Spain alone had more than doubled since 1988 to 70,000 tonnes last year, driving home-grown produce off supermarket shelves.

Foreign lettuces, tomatoes and cucumbers were being sold in Britain "at prices far below those which could reasonably be set for home-produced items," said Sir David.

Mr Roger Sayer, managing director of Humber Growers, which produces nearly a quarter of the country's cucumbers, said spring prices were 40 per cent down on last year.

Mr Sayer said the government should investigate whether other EU growers were receiving state aid which distorted competition. He also urged faster approval of pesticides, so UK growers had access to the variety available to EU competitors. "We're just as efficient as our European colleagues, but unless we get a fair crack of the whip, the business will disappear."

Rifkind accused of setting scene for Rosyth closure

By Ivor Owen and James Buxton

Mr Malcolm Rifkind, UK defence secretary, was accused in parliament yesterday of making political preparations for the closure of the Rosyth naval base, in Fife, instead of fighting for its survival.

At the same time the Rosyth naval dockyard took its diversification from warship refitting a stage further by launching a company to carry out steel fabrication for outside customers.

The attack on Mr Rifkind was was made by Mr Alex Salmond, Scottish National party leader, who said the government's intentions had been made clear by Mrs Susan Bell, Tory candidate in the Monklands east by-election.

Mr Salmond said she had described the Rosyth base as "yesterday's installation, unable to meet the demands of tomorrow".

Mr Rifkind said the future of the base was being examined with that of other installations as part of the "front line first" study of defence support costs. He expected final proposals to be announced next month.

Babcock Facilities Management, which operates the dockyard, has invested nearly £5m in new steel fabrication facilities and yesterday announced a £3m contract to supply steelwork for upgrading the Forth road bridge, close to the yard.

It expects the subsidiary, Babcock Rosyth Fabricators, to win contracts for modules for offshore platforms and other work.

The contract for the Forth road bridge involves supplying 1,600 tonnes of structural steel over 20 months to Grootcon UK, the contractor upgrading the towers of the bridge to take increased traffic.

Babcock Facilities Management, a subsidiary of Babcock International, employs 3,500 at Rosyth. About a quarter of the yard's work is for civilian customers. It would like this to increase to 40 per cent.

The dockyard already refurbishes trains for the London Underground and makes joinery products. Babcock Rosyth Fabricators is building rudders for ships, modules for gas turbines and the hull of a highspeed ferry for Hong Kong.

Mr Rifkind insisted no decision had yet been taken about the Rosyth naval base.

MANAGEMENT

Change brings results

Change management is often viewed sceptically by shareholders, media commentators and employees. But a new survey* of senior American and European executives suggests those at the top are still confident of producing positive results.

Roughly two thirds of the 160 or so companies responding to the poll claimed they had made significant progress in getting employees to focus on quality issues, while half reported big strides in boosting productivity and increasing employee awareness of customer needs.

Other results, though, were more mixed. Just over half reported an improved share price and better profitability, but only 30 per cent said they had made significant gains in market share. Only one third believed they had been successful in winning employee commitment and in increasing workers' adaptability to change.

The survey, by the business organisation The Conference Board, found that most companies began their current round of change management in 1989. More than half said they had made marked changes in their organisation structure, business strategy, and the size and composition of their workforces, while at least half had overhauled their leadership style and company culture. At least 40 per cent had also changed their use of information technology, decision-making styles, basic work processes and reward systems.

The difficulty of implementing a new culture and values was cited by 40 per cent of respondents. "Vision and values now serve as the glue that holds the decentralised organisation together", says the report.

Tim Dickson

**Change management: an overview of current initiatives. Report No 1068-94-RR, from The Conference Board Europe, Avenue Louise 207, Box 5, B-1050 Brussels. Tel (322) 640-6240, Fax 640-6735. Price $25 for members, $100 for non-members.*

Andrew Jack on the future for accountancy partnerships

Outsiders move in

Peter Turnbull faces a daunting task this month as he settles into his new office on the edge of the City of London. He has become one of only a handful of outsiders to be hired in a senior position by an accountancy firm.

His appointment as chief operating officer marks a renewed attempt by Robson Rhodes, the UK's 15th largest firm by fee income, to bring in external expertise from his roles as managing director of Lex Service and as an independent consultant, to help with the management of its professional practice. Two years ago the firm appointed Ray Pierce, a non-accountant, as chief executive, but he was subsequently headhunted by Guardian Direct, the telephone insurance company.

The changes at Robson Rhodes reflect a broader trend among accountancy firms in the UK, the US and elsewhere, which are seeking new approaches to management as the traditional structure and operations of partnerships are increasingly seen as redundant.

"We have all spent ages trying to make it work, but the partnership model isn't sustainable. Genuine partnerships collapsed with size," says Hugh Aldous, managing partner of Robson Rhodes.

Deregulation by professional bodies in the early 1970s removed formal restrictions limiting the total number of partners in accountancy firms, at a time when they were already fast expanding in size, offices and the range of services.

The days are now long gone – if they ever really existed – when all partners in the bigger firms could get round a single conference table, let alone meet regularly to control their practice by consensus.

The role of the senior partner has consequently changed to focus more on management, with its occupant increasingly selected on merit. "In the 1970s we were dominated by old men nearing retirement. You became senior partner at 60, and the place was full of nice old gentlemen," says a partner in one firm.

One of the first British firms to appoint a non-accountant to a top executive position was Casson Beckman, a London-based practice, which hired John Pearce, joint founder of Hoskyns Group, the consultancy, as chief executive on a three-year contract in 1988. "He structured us along tighter divisional lines," says Geoff Barnes, the accountant who took over as chairman from within the firm.

A small management committee reviews day-to-day operations, while all 25 partners meet each month to discuss topics such as hiring or removing partners. "You cannot make every decision around a 25-seat table. Many partners want to be involved only in client work and are happy provided they are communicated with," he says.

Peter Turnbull: bringing external expertise to Robson Rhodes

The introduction of outsiders has been resisted by most firms, with the exception in many large US firms of general counsel, a senior lawyer appointed in a reflection of the country's litigious environment.

Evidence of broader changes to internal management is more widespread. Coopers & Lybrand, the UK's biggest firm, has for a number of years been headed by a chairman and an executive committee. Similar structures exist in all its big competitors. Most are based on hierarchical, traditional corporate-style approaches.

"I saw signs of this beginning in the early 1980s," says Alan Hodgart of consultants Hodgart Temporal. "There was enormous trauma and a tendency to centralise power."

In response, many partners within the bigger firms began to feel alienated, demotivated and isolated from decision-making. The consequence has been cynicism and a temptation to ignore or frustrate senior management's strategies.

Hodgart says reformers at the time came to the wrong conclusion because they were often guilty of sophistry: they wrongly suggested that the partnership was the cause of management problems, and that the solution was to introduce alternative, corporate structures.

The changes by accountants ironically have taken place at a time when many companies are trying to remove layers of hierarchy in their own organisations and to mimic the most powerful element of partnership – sense of ownership as a motivator.

Hodgart says a number of the accountants also mistakenly believed they were following the lead taken by one of the world's biggest and most successful firms, Arthur Andersen. In fact, Andersen may have tight management but it continues to involve its partners actively in strategy discussions.

"Andersen, and other successful partnerships like McKinsey and Goldman Sachs, spend a fortune flying partners around the world to debate strategy," says Hodgart. "Because the partners know where they are going, they are willing to work within the strategy."

The structure also works because Andersen has grown organically rather than through merger, with partners around the world sharing a common culture, training and approach.

The firm retains a strong element of democracy, with partners voting on the admission of their peers, and being consulted on the appointment and performance of their managing partners. Perhaps most important, partners are also receptive to the strategy adopted by the firm because it has manifestly worked, with Andersen widely perceived to have among the highest levels of profits and growth in the sector.

However, David Maister, of Maister Associates, a US-based consultant to professional firms, argues that simply focusing on senior management structures and on the extension of participation in strategy is not enough. "I have seen the strategic plans of all the major firms and they are identical," he says. "That is not a mistake. They are all stressing the right things. The race is about who can implement them best."

Maister argues that while firms may have altered their structures during the 1980s, they did not introduce management so much as administration by numbers. "There was a sense that people will leave you alone as long as you meet your target," he says.

"Very little changed until the last recession. For the last 20 years they were asked to be effective, not efficient. Now clients are realising that a lot of what the accountants provide is methodology-driven and not brain surgery."

While they have long made money selling management information systems to others, the firms are only now installing them internally. "The real need is not for management at the top of the organisation but for better front-line coaches," he says.

For firms hoping to flourish in the late 1990s, learning the management lessons from their more progressive clients will be of vital importance.

Diversification brews success

Emiko Terazono meets shipbuilder turned tea-seller Michio Ota

Corporate venturing has a chequered history in Japan. Recent forays by steel companies into computers, breweries into the flower business and ball bearing manufacturers into semiconductors demonstrate this. But the decision by Hitachi Zosen, a leading shipbuilder, to invest in Tu-Chung Chinese tea, has proved a notable exception.

The venture, started in 1986, has grown into a Y10bn (£64m) business and profits contributed to half of the company's 26.3 per cent pre-tax earnings growth last year.

Like other shipbuilders in the mid-1980s, Hitachi Zosen faced a sharp decline in demand and plunging profits due to the high yen. In an effort to reduce dependence on its core business, the company appointed Michio Ota, an engineer who had spent the previous 39 years constructing ships, as general manager of the new biotechnology division.

Ota's new career began unpromisingly with the failure of projects to grow mushrooms and make a type of fish bait. But he was sure that the idea of a healthy Chinese tea would be popular given Japan's ageing population and growing interest in health products.

The tea's effectiveness had been tested in several university hospital laboratories. "Having a background in physics, I liked the concept of manufacturing and selling the tea with a lot of scientific research data," he says. That people in China have been drinking it for 5,000 years was also reassuring, he adds.

Market research was carried out on 30 Hitachi employees, who confirmed that the tea induced a favourable effect, including weight loss, a decline in cholesterol and lower blood pressure. However, introducing a product and being new to the business proved to be a handicap. "No one would buy the tea for the first few years," he says.

Neither Ota nor Hitachi had experience in dealing with consumer products. The company did not have a retail network and Ota was unable to entice any of the beverage or foods makers into a tie up. As a result he decided to go it alone, walking from retailer to retailer, asking barber shop chains and cosmetic sales staff to offer the tea to their customers.

Hitachi's president ordered the company to use Tu-chung tea internally, while sales staff in the shipping divisions were told to give clients and business contacts samples of the tea and special kettles to brew it with.

Hitachi attracted the interest of large stores with health food departments in 1989, but the big break came in 1992 when the product was introduced to a wider audience by a health magazine. When a television feature described the tea as an effective dietary aid, food companies, including Coca Cola and Asahi, which had shunned Hitachi's initial requests, all rushed into the market.

The tea's effectiveness was tested in several university hospital laboratories

Hitachi, which now sells its tea in more than 5,000 retail outlets, faces growing competition with over 50 companies active in the tea distribution business. Quality control is an increasingly important competitive weapon; tea leaves imported from China which do not have enough acids to cut cholesterol or anti-stress substances are now removed.

The company's diversification into environmental machinery – for instance, incinerators – has also succeeded, and it has managed to reduce its dependence on shipbuilding to only 30 per cent of sales. For the business year just ended last March, Ota expects to post Y10bn in tea sales, 2.5 per cent of total sales.

Food fads, though, come and go quickly in Japan, and the popularity of Chinese tea could start to wane. "We want to start marketing the tea as an ordinary beverage rather than just a health remedy," says Ota.

BUSINESS AND THE ENVIRONMENT

Debate fuelled by recycled oil

Peter Knight looks at why environmentalists are for re-refining and the big companies against

Would you put recycled oil into your car? Some Californians do, providing a business for Evergreen, a company that specialises in collecting and re-refining lubricating oil. Similar oil is available through Wal-Mart, the US retail chain. And UK motorists will soon have the chance to use a re-refined oil, Envirol, produced in the UK by Orcol.

But is recycling the best environmental option for dealing with waste oil? The answer depends on your commercial position. The oil business tends to think used oil should be burned as fuel in certain high-temperature processes, such as cement making and roadstone preparation.

Environmental campaigners think it should be treated and returned to its original use. Both sides have strong economic and environmental arguments in favour of their opposing positions.

There is no disagreement on the problem of used oil. Roughly half the oil sold is "lost" in use. Some escapes through leaks, some is burnt inside the engine, some is burnt as a heating fuel and the rest is dumped illegally.

In the US, it is estimated that more than 1.4m tonnes of used oil is dumped in landfills, on land and down sewers each year. That is equivalent to 35 Exxon Valdez disasters a year. The UK consumes about 800,000 tonnes of lubricating oil a year and roughly half of that disappears. West Germany (before unification) consumed just over 1m tonnes a year with just over half collected after use.

A gallon of dumped oil can contaminate up to 1m gallons of drinking water

The dumped oil is not only a wasted resource but a powerful pollutant which can contaminate land, poison water supplies and destroy wildlife. A gallon of dumped oil can contaminate up to 1m gallons of drinking water with heavy metals, chlorinated solvents and carcinogenic compounds.

In Europe, an EU directive makes member states responsible for ensuring the safe collection and disposal of waste oil. The preferred option is to re-generate and re-use it. Failing that, it should be used as a fuel. European countries have used different policies to encourage collection. Taxes and subsidies have been tried by Germany, France, Italy, Spain and Finland. Sellers of motor oil have been obliged to take it back in Germany.

Some countries, such as Germany, treat some used oil as hazardous and therefore subject to special handling. Other countries, such as the US, have decided against this classification. No country or state appears to have found the ideal solution, especially to encourage do-it-yourself oil changers to bring back their used oil.

A UK survey found that in one city 63 per cent of motorists changed their own oil and 80 per cent of those admitted pouring the old oil down the drain.

Re-refining used to be a messy process which used sulphuric acid and clay to extract the impurities. This created by-products that were more hazardous than the original waste oil.

Newer technologies now use a combination of distillation, filtration and hydrogenation to finish the oil. This removes the water, most of the contaminants and additives. It produces a base oil which can be blended to make a product that is claimed to be as good as that made from virgin oil.

Angela Himus, editor of Industrial Waste Management, says used oil is treated at three levels. "Although the equipment may vary and companies may use proprietary processes the basic levels are fuel oil, recycling, and re-refining."

To produce fuel oil the waste is dewatered, filtered and then centrifuged. Road stone makers, cement makers and power stations buy this oil, which has a lower sulphur content than virgin fuel oil.

Recycled oils are usually those used in hydraulic equipment or other industrial machinery. The oil is returned to its original specification after residues, contaminants and water are taken out.

Re-refining produces a number of different fractions: diesel, lubricating oils and asphalt. The lubricating oil fraction is finished to produce a base oil, which is blended with additives to make the final product. Modern re-refining methods create no harmful by-products.

Makers of such oil, such as Evergreen in the US and Orcol in the UK, say their products can meet all the engine makers' performance specifications. But the oil majors are sceptical.

New for old: oil recycling at Lanstar Hydrocarbon's Halesowen site

Nick Wilkinson, a business adviser to BP Oil Marketing, says re-refined oil would not meet his company's standards for health and safety. "In our estimation most re-refining processes are insufficient to overcome the health and safety aspects because of the presence of PCAs."

PCAs, or polycyclic aromatics, are formed when the oil is circulating in the internal combustion engine. PCAs are harmful if they come into contact with the skin.

But according to Jeff Underhill, vice president for business development at Evergreen: "We do not see this as a problem. Our base oil meets all the standards and passes all the tests for health and safety."

Wilkinson is also sceptical of the energy efficiency of the re-refining process. The EU says preference should be given to re-refining because of the energy savings it can bring, but the oil industry doubts the accuracy of this statement.

Underhill is not convinced: "We think that when you consider all the issues, re-refining is the most energy-efficient option. I don't see burning used oil as a long-term solution anyway, because air purity standards will get tougher."

Re-refining can also be highly profitable if the systems of collection are efficient. "From a green investment point of view the business of re-refining lubricating oil is very attractive because of the margins that can be achieved," says Mark Campanale, an analyst for the NPI Global Care Fund. "By using recycled oil you are also replacing a virgin product with a recycled raw material. It must make both business and environmental sense."

But if these margins are to be realised the collection systems have to be reasonably close to the refineries and well-managed to prevent lubricating oil becoming contaminated with other oils and liquids, such as synthetic cooling oils.

The efficiency of collection systems depends largely on government policy – especially its enforcement – as well as the demand from industry for recycled oil. Even in those countries where the law has been strict, such as Austria, enforcement is slack.

In the UK, illegal disposal can lead to a fine of £20,000 or six months in prison. But the collection systems are at best haphazard and there is little demand from industry for re-refined oil.

While the crude oil price remains low and margins tight in the oil business, the big oil companies have little interest in promoting collection or recycling.

"The government needs to do more to encourage recycling. The existing collection systems are well established and local governments are providing facilities but we need the government to provide the push for the next step up. The recovery and recycling companies can cope with any increase in the volumes recovered," says Arthur Rennie, general manager of Lanstar Hydrocarbons, a recoverer and recycler.

Orcol, the UK's biggest collector, is trying single-handed to stimulate recovery. It has launched a collection promotion called "Earth Defender" where service stations will provide facilities for DIY oil changers to deposit their waste oil.

This might be sufficient to guarantee a flow of sufficiently high-grade raw material for Orcol's production of Envirol, but it will not make much of a difference to the UK's waste oil problem.

While the German system is far from efficient, some used oil is treated and returned to the lubricating oil cycle by using it as a feed alongside virgin oil in some major refineries.

"This is a highly subsidised activity. If you have to install new equipment in oil refineries to use waste oil as a feed it will increase costs and the exercise will not be economic," says Wilkinson.

Without uncontested figures to back re-refining, effective government policy and a change in the motorist's perception of recycled oil, the problem of used oil seems set to grow as fast as the world's expanding car population.

Andrew Jack meets a company president with a green mission

Assessing the damage

Eckart Wintzen is a rare combination of the 1960s and the 1990s: his long hair, beard and idealism are offset by his presidency of BSO Origin, a successful high-tech Dutch-based computer services company.

Nowhere are the two sides of his character better matched than in the annual report of his business, which adopts a highly innovative approach to environmental reporting and shareholder communication.

Each year he hires a different company of designers to help produce the annual report. Two years ago it was printed using a comic book format; last year it included a teabag and a sticking plaster; this year, a series of philosophical musings on interrelationships.

But one thing has remained constant in the annual report over the last four years: details of an assessment in monetary terms of the environmental impact of the company.

BSO has pioneered the use of quantifiable information attempting to show the "extracted value", or the effect of the company's operations, on the environment.

"We calculate the theoretical costs to repair the damage done," says Wintzen.

"It is impossible to achieve any serious structural improvement unless you know the cost of the alternatives."

He says his initial interest in environmental matters dates from reading the influential Club of Rome report in the early 1970s which warned that, as he puts it, "you can't have unlimited growth on a limited planet".

He worked with a series of scientists to develop a methodology that could express a price for the ecological impact of his company. It makes a series of assumptions in order to estimate the costs at a point at which the marginal cost of clean-up is equal to its marginal benefits to society.

The results provoked some surprise. In the current year, the environmental impact of BSO was Fl3.7m (£1.3m), offset by environmental spending of Fl452,000. Of the total, Fl2.8m came from road traffic alone – the costs of staff commuting to work.

"We found out where the damage was and it is nonsense to talk about using plastic cups – the cost of accounting for them is more expensive than their impact," he says.

Using the data, BSO has instituted campaigns in its operations around the world: from cutting back on the use of cars to using double-sided photocopies, turning off the heating and air conditioning outside office hours, and dispensing sugar in jars rather than disposable sachets.

There are questions about the techniques BSO uses. It includes in its calculations the environmental costs incurred by clients on whose premises many of its staff work; and it does not count the waste of old computers because these are normally donated to schools rather than thrown away.

The company's effect is minimal compared with polluting industries. But, as Wintzen says: "We say 'look at the damage even a service company does'. We are not going to change things on our own but we are doing our little bit."

He points to the growth of the term "extracted value" by politicians and senior business people over the last few years, and continues to spend time discussing the issues.

Next year he plans to place greater emphasis on assessing the results of unemployment, arguing that it is part of the same problem as ecological damage. It is caused by a tax system that generates most revenues from employment and a tiny fraction on raw materials. He would like to see the situation reversed.

But Wintzen has no plans to abandon business and proselytise full time. "If I gave up business and just went around in sandals no one would listen to me," he says. "Because I also make money, they have to pay attention."

PEOPLE

Sir David White to chair Coal Authority

Sir David White, chairman of Mansfield Brewery and Nottingham Health Authority, has been appointed the first head of the Coal Authority which is being set up by the government to supervise coal mining when the industry is privatised later this year.

His appointment as chairman-designate of the authority, where he will work one day a week, means he will step down as part-time non-executive director of British Coal. He has been on the board at the corporation since last October.

Sir David's work in the coal industry continues a long association with energy. Early on in his career he served at sea working for Shell Texaco and Gulf Oil.

The government announced yesterday that the authority would be based in Mansfield in a building already part-occupied by British Coal Opencast. The Coal Authority will take over British Coal's ownership of coal reserves, license coal mining operations and deal with liabilities arising out of former British Coal-owned pits. It will employ up to 100 people.

Sir David, 64, said appointing a chief executive would be among his first tasks.

He said his appointment as chairman, which is expected to be effective from July when coal privatisation receives royal assent, was a terrific opportunity to help facilitate the development of private sector coal mining.

Sir David, 64, was brought up in Nottingham, where he now lives. "I am steeped in Nottinghamshire and therefore the coal industry," he said.

Larger portfolio for Castleman

Standard Chartered, the UK-based international banking group, has reshuffled the responsibilities of its senior directors, freeing its current head of investment banking, Christopher Castleman, to take charge of large client relationships.

The bank has tried to sharpen its management following the appointment of Patrick Gillam as its chairman, and Malcolm Williamson as its chief executive. It has yet to shake off decisively its image of being accident-prone.

The reshuffle places Castleman in charge of major client relationships for the group around the world as well as some strategy issues. Peter Wood, who already controls finance and risk, will take overall responsibility for strategy.

John McFarlane, who heads treasury and capital markets, will take over responsibility for merchant banking, capital markets and stockbroking. This is intended to create a single unit for all trading and markets activities.

David Moir, the executive director responsible for the Asia Pacific region and group personal banking, will assume responsibility for custody, private banking and private trust businesses within the bank's Equitor group.

David Brougham, the executive director responsible for banking activities in Europe, America, Africa, Middle East and South Asia, will take additional responsibility for credit and credit services.

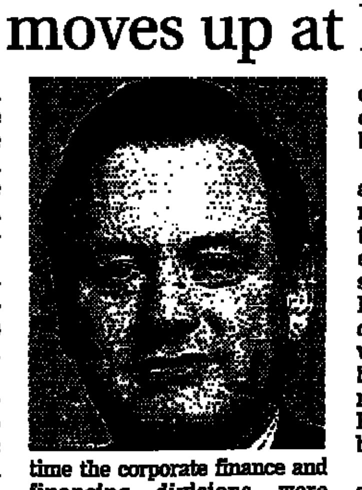
■ Lloyds Bank has appointed Kent Atkinson, 49, as its chief financial officer from next January. He will succeed Colin Wilks, who retires at the end of this year after completing 37 years' service with the bank.

Atkinson, who joined the Bank of London and South America in 1964 before it was acquired by Lloyds, worked in South America and the Middle East. He moved to the UK in 1989 and is general manager for UK banking retail operations.

■ Alex Pilato, a vice-president of J.P. Morgan, has been appointed head of risk management advisory services within HSBC's treasury and capital markets division.

Bay Green moves up at Kleinworts

Bay Green, 51, has been rewarded for returning to the Kleinwort Benson fold. Three years after he resigned as Hill Samuel's head of corporate finance, he has been appointed head of Kleinwort Benson's financing and advisory division.



Green, a chartered accountant who first joined the merchant bank in 1971, takes charge of one of the biggest parts of Kleinwort's business. It covers everything from corporate lending and leasing to privatisation advice and public issues. It has a staff of around 600.

His appointment follows last year's management reshuffle when the group's investment bank business was put under the control of two joint chief executives David Clementi and Sir Nicholas Redmayne. At the time the corporate finance and financing divisions were merged; Clementi took over as head of the new division and Bay Green was appointed his deputy. Having overseen the merger of the two divisions, Clementi has decided to hand over control to Green and concentrate on his job as joint chief executive of investment banking.

Kleinwort portrayed Green's appointment as a natural promotion but it is understood that there has been some jockeying for power behind the scenes. Earlier this month, Ian Peacock, 46, the main board director who had headed Kleinwort's financing division before the merger with Clementi's division, left to join BZW as co-head of merchant banking in the US.

Meanwhile, Kleinwort Benson has merged its project advisory and medium term export finance businesses into a new project and export finance department chaired by Patrick de Pelet. Adrian Montague and Simon Parker have been appointed co-head.

Non-executive directors

■ Lord Moore of Lower Marsh (above), former secretary of state for health and social services, and chairman of Credit Suisse Asset Management, at ROLLS-ROYCE.

■ Jack Cynamon, co-founder of JACQUES VERT, having retired as joint executive chairman.

■ Lionel Stammers, former director of BTR, at BARLO GROUP.

■ Timothy Redman at GREENE KING, having ceased to be executive.

■ Brad Hanson, a vice-president at Warburg Pincus, and Desmond Preston, a retail consultant, at WEW.

■ George Gwilt and Sydney Mason have retired from HAMMERSON.

■ Christopher Sporborg, deputy chairman of Hambros, at TRADE INDEMNITY GROUP.

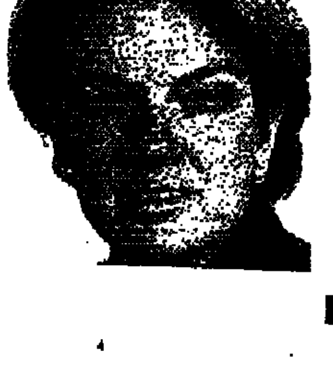
■ Sir Harry Llewellyn has retired from CHEPSTOW RACECOURSE.

■ Sir David White has retired from Y.J. LOVELL (HOLDINGS).

■ William Govett has resigned from GOVETT AMERICAN ENDEAVOUR FUND.

■ Robert McGee as chairman at BRITISH VITA, having stepped down from his executive role.

■ Marjorie Scardino (below), chief executive of The Economist Group, at W.H. SMITH.



Television/Christopher Dunkley

Don't blame the messenger

First indications that something odd was happening reached me at 2.45 on Saturday morning. Listening to Radio 5 Live as I cleaned my teeth I heard Richard Dallyn (sensibly grabbed from LBC by the BBC's new continuous news network) patching into a live transmission between a helicopter in Orange County, California, and Ted Turner's 24-hour television news channel, CNN. Someone called O.J. Simpson was being chased up Interstate 405 by umpteen "black and whites" (Los Angeles police cars) with TV choppers following overhead. By noon of the same day I was talking live on air, via the telephone, to Brian Hayes in his Radio 2 programme *Hayes On Saturday*. We were discussing the way in which matters develop instantaneously into media events these days.

Before Saturday I had never heard of O.J. Simpson. By lunchtime of that day, having been tanked up with media coverage like a racing car at a pit stop, I was able to suggest knowledgeably to Radio 2 listeners that in order to understand American interest in the incident we needed to imagine 18 Metropolitan Police cars on the M1 chasing a Range Rover in which passenger Gary Lineker was holding a gun to his own head while talking on a cellular phone to a detective in Scotland Yard, explaining his suicidal instincts after being accused of the murder of his wife and her toy boy. All this I had gathered from virtually non-stop coverage of the incident on Sky News which relayed America's ABC News to British viewers, and from terrestrial television news which also provided extensive inserts of American footage.

However, it is the subsequent reactions in the other mass media that are so interesting. More often than with any other medium, the television messenger is routinely blamed for the messages it delivers, and here was a classic instance. News stories of this sort – visually dramatic, long lasting, and occurring in peak viewing hours – are meat and drink to 24-hour news channels, though they occur very rarely. Apart from wars, CNN has won its top ratings with coverage of the frantic attempts by emergency services over some days to rescue a child trapped down a well. Television did not put her there, nor force the public to watch: it simply provided the newsreels, but CNN was likened to a vulture.

So too with the O.J. Simpson story. In Monday's Daily Mail we were told that "Big Brother television" had been watching, and that "the dividing line between true life and movie fantasy has become dangerously blurred". As with much commentary elsewhere this seems to have been prompted by the fact that many American viewers left their screens to drive out on to the freeway and cheer their hero (Simpson having moved on from fame in American football to greater fame in Hollywood films). But the viewers chose of their own free will to do that; television was merely the technology which conveyed the pictures – a technology which, incidentally, in these sorts of circumstances leaves newspapers and even radio looking pretty flat footed.

What is so striking is the widespread desire to blame television for matters over which it has little if any control. You might imagine, from the vilification being aimed this week at television sports departments, that broadcasters had conspired to arrange a clash between World Cup football, Wimbledon tennis and Test cricket. "A hundred and fifty hours of sport in one week! How can they possibly justify it?" ask the radio and newspaper commentators. The answer, presumably, is that the television chiefs would be the first to avoid such clashes if they could; they must be at their wits' end finding enough outside-broadcast equipment, and seething at the way that the different sports will damage one another's potential ratings.

Yet many people seem to feel a need for something other than ourselves on which to blame the baser instincts of mankind. There have been supercilious reactions to the inclusion in the final episode of ITV's excellent documentary series about the British royal family, *The Windsors*, of extracts from the "Squidgy" and "Camillagate" tapes. In the first someone who sounds awfully like Princess Diana uses the "F" word while talking to a man friend about the royal family, and in the second someone who sounds awfully like Prince Charles says how he needs several times a week the woman on the other end of the line who sounds awfully like Camilla Parker Bowles. Television did not commission or create those tapes and I for one was grateful to hear them, rather than simply to see them transcribed in print. Royalists may not like what they convey, but viewer/voter/subjects in this mature old democracy are surely entitled to consider such vivid bits of evidence.

Television can rightly be blamed for its messages when the broadcasters *are* responsible for commissioning them. Last week's *Dimbleby Lecture* was an example. By inviting as lecturer the head of MI5, the BBC made itself a part of an old British problem (a powerful instinct among politicians and civil servants to conceal matters from those who elect and pay them) rather than part of a possible answer (mass media with an instinct to disclose and a policy of digging and challenging).

Stella Rimington was given 45 minutes of public service broadcasting time to deliver a PR hand-out – the gist being "We are honest, trustworthy, over stretched, endlessly accountable and generally rather charming don't you like this buttercup yellow outfit?" – and of course nobody was allowed to challenge her. She admitted "A cynic may say 'How can I know that what you are saying is true?'" Actually you only need to be ordinarily sane to ask that question, to which, of course, she had no answer.

But the most important time to blame television is when it fails to provide the messages that it ought to. True, it was not the broadcasters' fault that cameras, and thus the general public, were excluded from the Scott Inquiry investigating the arms-for-Iraq imbroglio which so vividly illustrated both the institutionalised secrecy of the British state and the contempt in which some politicians and civil servants now hold the public. In the US, television coverage would have been routine and public interest consequently enormous. But if fringe theatre can come up with a way of tackling the job, so should television. Nicholas Kent's production, *Half The Picture*, currently at the Tricycle in Kilburn is a fascinating stage documentary on the Scott Inquiry which could easily be transferred to the small screen. The quicker somebody in television snaps up this message and delivers it to a national audience, the better.

Monique Loudières and Jean-Yves Lormeau in Jerome Robbins' 'In the Night'

Opéra Ballet in superlative form

Clement Crisp reviews 'Twentieth Century Classics' in Paris

We had a leaflet raid in the Palais Garnier on Friday night. From the little gallery that runs round the inner dome of the ceiling papers fluttered down just before curtain rise. A protest, of course, and one part of a campaign by the Opera's unions to protect jobs at a time when Garnier's palace closes for refurbishment (the ballet goes to the Opéra Bastille next season) and a new administration is foreshadowed.

The rights and wrongs of the matter are not for me to rehearse here, but one phrase in the leaflet made me feel immediately sympathetic to the cause: "substantial savings can be made by forward planning on productions, and by not yielding to so many of the caprices of producers and designers." These words, decorated with audience bravos, should be inscribed in every opera house. Why yet another re-designed and politically galvanised *Ring* cycle, or another tarted-up ballet classic, or someone-else having his go at *Swan Lake* or *Figaro*? Opera houses plead poverty and screech for funds. Let them concentrate their cash on new work, new artists, and spare us the desperate cosmetic exercises that cloud and minimise the established repertory with radical decoration and wrong-headed recensions.

The Opéra Ballet is ending this season with two triple bills under the title *Twentieth Century Classics*. And if for "classics" you read "enduring repertory items", then the title is a good one. What the programmes demonstrate yet again is the superlative quality of the Opéra Ballet as a performing ensemble, stunningly well-trained, bursting with talent.

The first bill concentrates, not without wit, on the company as an assembly of virtuosos. Harald Lander's *Etudes* has been a celebrated show-piece for dancers since he made it in Copenhagen in 1948. It hymns the disciplines and rewards of academic training, and with the Opéra's dancers it is a thrilling display of French style in its present and most exultant form. You watch the girls working at the barre, and notice the clarity and sensitivity of their feet, the taut outlines of each step. You see the boys beating and turning with unfailing ease. And, as the heart of the affair, on come Agnes Letestu and Jose Martinez (both making debuts, though their authority was absolute) and Nicholas le Riche, tossing off prodigies of movement. They are three young angels. They look proud, happy, commandingly good. Radiant security in effects; unforced charm; elegance of means: these qualities mark the work of the principals and also the dancing of the least member of the cast. And, because Opéra schooling is strong, unified, coherent, the whole affair has the gloss given by finest craftsmanship. It is exactly this assurance that Derek Deane, in his recent comments upon failings in dance training here, wants our dancers to find.

The closing *In the middle, somewhat elevated* looks like an abrasive response to *Etudes*. William Forsythe's choreography is a kick in the slats of academic dance. The brutish Thom Willems score is matched by ferocious energy in the choreography, disjointed, deconstructed, dissassembled, and perversely lit so that you think you can see, but actually can't – which is Forsythe's neatest trick.

On any other company it looks as if the Forsythian bull has done his worst in the daintiest of balletic china-shops. The Opéra cast is so strong, and so stylish, that the mayhem has an odd fascination: there are the wonderful Manuel Legris and Lionel Delanoe, Nathalie Riqué and Nathalie Aubin, polishing every jagged shard of movement as if it were of worth. They are superb. The piece is a con-trick.

Separating these two displays of bravura – Hyperion to a satyr – was Jerome Robbins' *In the Night*. Henri Barda playing Chopin nocturnes with grace; three couples; emotion ranging from serene to stormy; the Opéra's stars at their most effulgent in feeling and technique. And, because it is the women's ballet, Monique Loudières, Carole Arbo, Isabelle Guérin floating on the music, or transfixed by it, with exquisite sensitivity. Kitsch at moments, but marvellous all the time.

The second programme was rather more solemn in mood. I do not think that Tudor's *Jardin aux Lilas* has a chance at the Opéra. The location is too vast for a ballet first given on a stage 18 ft. square; the lighting on Friday, when I saw the performance, was sepulchral; the garden looked as if the Douanier Rousseau had a hand in planting it; interpretations had no chance to show those subtleties – of glance, of under-the-skin tension – which are the fabric of Tudor's dances. Monique Loudières and Manuel Legris are ideal for the roles of Caroline and her lover: their readings were swamped.

About Paul Taylor's *Speaking in Tongues* which followed, I comment with reluctance. This study in ecstatic religion in the American Middle-West, with its fundamentalist hysteria, is the only Taylor work that I do not enjoy. I find it over-long, inexact. Its Opéra performance – led by Kader Belarbi, as a darkly powerful preacher – was fine. And I still do not understand it.

In the closing *Song of the Earth*, the dancers gave performances of beautiful and proper simplicity. MacMillan's contemplation of death and renewal needs no applied solemnities, and a strong musical account (the Lamoureux orchestra with Catherine Keen and Ian Caley, under Jonathan Darlington) inspired no less uncompromising dancing. In Isabelle Guérin, the role of the Woman finds a most eloquent interpreter – dignified, selfless. She tells everything of the woman's grief, her isolation, and she pours out MacMillan's dances in a grand stream of movement – the sequence of pas de bourrées at the end of the last song exquisite in shape and feeling. Laurent Hilaire was the Man, Wilfried Romoli the Messenger: both readings were, like Guérin's, admirable, truthful.

The Tudor/Taylor/MacMillan triple bill can be see at the Opéra Garnier on June 23, 24, 25, 27, 28.

Ballet in London//Clement Crisp

A happy 'Coppélia'

What a wonderful, odd ballet is *Coppélia*. Odd because of its blatant unreality – those peasants wearing a permanent rictus of joy; the whiff of alchemy in its second act – and wonderful because its joy touches our hearts. Delibes, of course, set it towards glory with an unflawed score. Whatever choreographic hands have fashioned its text today – and I do not think it is now possible to unravel who did what – they have taken the music as their guide, and blessedly so. The story may owe something to Hoffmann; it owes more to a kind of dramatic good sense that responds to the idea of a girl winning her boy after a trial by magic.

Frantz must pass through Act 2 in Coppélius' workshop and learn the difference between a dream love and his real fiancée; Swanilda must know disappointment, and fight for her errant lover's return to a waking world. It is basic folk-myth that is the armature for this enchanting comedy. We may not notice it, but it gives a subliminal strength to the tale, and because of it we care about Swanilda, and even about Frantz, who is a less appealing figure (a roving eye; liable to pin butterflies to his jacket: would you let your daughter marry this man?)

We care most immediately about the production which expounds this drama, and London City Ballet – at the Wells this week with their happy version – do not cheat us, or *Coppélia*. The text is neat but not gaudy, and so are the performances and the staging. I found it well-meant and well-reasoned on Monday evening. Peter Farmer's sets are discreet and pretty. The company bounced through the general dances; the principals – Tracey Newham Alvey as Swanilda, Roger van Fleteren as Frantz, Terry Hayworth as a jovial and touching Coppélius – worked with a will.

I record with gratitude that in the audience was Pamela May, whose Swanilda was one of the abiding joys of our national ballet – witty, musical, deliciously pouting, shining in step, and serenely grand in the last act duet. Her performances taught me a lot about *Coppélia*'s greatness – not least that is a ballet which rewards its audiences as handsomely as it does the finest dancers. London City's identity and task is as a missionary taking medium-scale ballet to a public who might otherwise never see a serious classic production. It is valuable work, and this *Coppélia* shows how well LCB does it.

At Sadler's Wells all week

Concert/David Murray

Borodin plays Shostakovich

The Borodin String Quartet is with us again, this time to play all 15 of Shostakovich's quartets at the Barbican. Music-lovers who have heard these Russian artists will need no more than this reminder, but some further description is in order for the others. So: this is a peerless ensemble, whose every performance has the patina of long-considered experience and musical wisdom. The playing is technically superb – but one scarcely notices that, because expressive musicianship is so completely to the fore. Hearing the Borodin can be a revelation of the miraculous range and depth of the string-quartet medium.

Unfortunately they cannot be recommended to novice listeners, who might find subsequent quartet-recitals grey and disappointing by comparison. The Borodin exemplify the quartet ideal: four strongly individual voices (even the second violin), perfectly matched, able to slip between solo status and supporting roles at a moment's notice, always retaining the sense of a contrapuntal dialogue. It is a mere bonus that their palette of tone-colours happens to be unsurpassed, as likewise their long-sighted perspective on every quartet they play.

Shostakovich's rich cycle of quartets has two quite peculiar strengths. One is that they are all "mature" works: the First, which we heard on Monday with its two immediate successors (the Borodin programmes are chronological, not mix-and-match), was composed after the Fifth Symphony – and 13 years after his precociously brilliant Symphony no. 1. The other is that as the composer grew ever more fearful of the "ideological" scanning to which his large-scale works were subjected by cultural apparatchiks, he came to reserve his most candid, heartfelt scenarios for the quartet medium, relatively un-public and safely under-noticed.

The Borodin owns the special authority of having studied every quartet with Shostakovich himself. (Or at least its incomparable violist and cellist did: they are original members from 1945, whereas the two violins joined them a mere 20 years ago, the year before the composer died.) Not a page goes by without some illuminating touch unthought-of by other ensembles, and the calculated force of each whole work develops in a clean trajectory. If novice listeners *will* risk going to hear these players and spoiling their appetite for any less exalted team, they will at least have the satisfaction of knowing how a great, irreplaceable quartet sounded.

Remaining concerts in the cycle: tonight, Friday, Monday and Wednesday next

INTERNATIONAL ARTS GUIDE

■ BAD KISSINGEN

The annual music festival in this north Bavarian spa opens on Fri and continues till July 17. Among this year's events are a Schubert recital by Andras Schiff, song recitals by Edita Gruberova and Wolfgang Holzmair, a Mahler concert with mezzo soloist Christa Ludwig, and symphony concerts conducted by Donald Runnicles and Vladimir Ashkenazy (tel 0971-807110 fax 0971-807191)

■ BONN

Oper The season ends with Les Contes d'Hoffmann tonight, Tosca tomorrow and Antonio Carlos Gomes' Il Guarany on Fri (0228-773667)

■ BORDEAUX

Grand-Théâtre A new production of Carmen, staged by Alita Baldi and conducted by Alain Lombard, opens on Fri with Béatrice Uria-Monzon in the title role and Christian Papis as José. Repeated June 26, 28, July 1, 3, 5, 8 (5648 5854)

■ COLOGNE

Philharmonie The summer season consists of three American programmes - the stage show Spellbound from June 23 to July 10, the Gershwin dance and song show My One and Only from July 12 to 24, and Alvin Ailey American Dance Theater from July 26 to Aug 7 (0221-2801)

Opernhaus Gwyneth Jones sings Brünnhilde in Die Walküre tonight. Gounod's Faust can be heard tomorrow and Sun, with Die Zauberflöte on Fri and Der Wildschütz on Sat. The season ends next Tues with Jochen Ulrich's choreographic version of Peer Gynt (0221-221 8400)

■ COPENHAGEN

Tivoli Tonight: Kontra Quartet plays works by Mendelssohn, Norgard and Brahms. Tomorrow: Lothar Zagrosek conducts Tivoli Symphony Orchestra in Mozart and Bruckner, with piano soloist Yefim Bronfman. Sun: Vladimir Ashkenazy conducts Berlin Radio Symphony Orchestra and Tivoli Concert Chorus in Mahler's Third Symphony, with mezzo Sara Fulgoni. Tues: Yuri Bashmet directs Moscow Soloists in Mozart, Stravinsky and Brahms (3315 1012)

■ DRESDEN

Semperoper The main event this week is the first night on Sun of a new production of Aribert Reimann's Melusine, conducted by Marc Albrecht and staged by Fred Berndt, with a cast headed by Claudia Barainsky and Helga Dernesch (repeated June 29, July 2). Repertory also includes Ariadne auf Naxos, La clemenza di Tito and Don Giovanni (0351-484 2323)

■ FRANKFURT

Alte Oper A German-language version of the Kopit and Yeston musical The Phantom of the Opera runs daily till Sun (069-134 0400)

Oper Cornelius' comic opera Der Barbier von Bagdad can be seen tomorrow and Sat. Christoph Marthaler's new production of Pelléas et Mélisande, conducted by Sylvain Cambreling, can be seen on Fri and Sun, with a cast headed by Catherine Dubosc, Urban Malmberg and Victor Braun (069-236061)

■ GOTHENBURG

Konserthuset Tonight: Jesus Lopez-Cobos conducts Gothenburg Symphony Orchestra in works by Weber and Musorgsky/Ravel, plus opera arias sung by baritone Karl-Magnus Fredriksson (031-167000)

■ HAMBURG

Staatsoper Tonight, Sun: Così fan tutte with Karita Mattila, Jeanne Piland and Robert Gambill. Tomorrow, next Wed: Ariadne auf Naxos with Luana DeVol, Tracy Dahl and Klaus König. Fri, Tues: Il barbiere di Siviglia with Keith Lewis and Hellen Kwon (040-351721)

Musikhalle Sat: Yevgeny Kissin piano recital. Sun morning, Mon and Tues evening: Gerd Albrecht conducts Hamburg State Philharmonic Orchestra in works by Bach, Handel, Viotti and Gluck (040-354414)

■ LYON

Opéra Tonight: John Nelson conducts Klaus Michael Gruber's production of La traviata. Fri: Louis Erlo's adaptation of Die Zauberflöte. End of season (tel 7200 4545 fax 7200 4546)

■ MUNICH

CONCERTS

● Dmitri Kitaenko conducts Munich Philharmonic Orchestra and Chorus tonight, tomorrow, Fri and Sun morning at Gasteig. The programme consists of Berlioz's Grand Messe des Morts. The Gasteig programme also includes concerts by Al Jarreau on Mon and Yevgeny Kissin on Tues. Daniel Barenboim conducts the Munich Philharmonic next Wed and Thurs (089-4809 8614)

● A series of recitals built around the music of Orlando di Lasso runs at various venues till July 17. This week's events include a programme of motets by Lasso and Palestrina at St Michael's Church on Fri and a concert by the Tallis Scholars at the Cathedral, Frauenplatz, on Sat (089-2900 8014/089-299901)

OPERA FESTIVAL

This year's festival (July 6-31) has two new productions - Tannhäuser in the National Theater and Eckehard Mayer's Sansibar in the Cuvilliés-Theater. The Wagner (June 6, 9, 14, 18) is conducted by Zubin Mehta and staged by David Alden, with a cast headed by René Kollo, Bernd Weikl, Nadine Secunde and Waltraud Meier. Mayer's new opera (July 8, 10, 12, 15) is conducted by Bernhard Kontarsky and staged by Kurt Horres. The festival offers a retrospective on Peter Jonas's first season as intendant, with performances of La Damnation de Faust, Un ballo in maschera, Giulio Cesare and Così fan tutte. There are also revivals of La traviata (with Cheryl Studer), Lady Macbeth of Mtsensk (with Hildegard Behrens), Le nozze di Figaro, Meistersinger and Rosenkavalier, plus recitals by Thomas Moser and Hermann Prey (089-221316)

■ SCHLESWIG HOLSTEIN

The Schleswig-Holstein Festival opens on Sat in Lübeck with the first of two performances of Beethoven's Missa Solemnis by the North German Radio Symphony Orchestra and Chorus conducted by John Eliot Gardiner. Vladimir Ashkenazy conducts the Berlin Radio Symphony Orchestra and Chorus in Mahler's Third Symphony at Flensburg on Mon and in a Sibelius, Grieg and Dvorak programme at Lübeck on Tues. The 1994 festival, which runs till August 21, places a special emphasis on Jewish music, with concerts by the Israel Philharmonic and Jerusalem Symphony Orchestras, and performances of music by Jewish composers banned during the Nazi era. Visiting artists include Thomas Hampson, Midori, Yevgeny Kissin and the Kirov Opera Orchestra (tel 0431-567080 fax 0431-569152)

■ STRASBOURG

Palais de la Musique Tonight: young pianists in recital. Fri: Jean-Pierre Rampal is flute soloist with Franz Liszt Chamber Orchestra. Sat, next Mon, Wed, Sat: Theodor Guschlbauer conducts Tobias Richter's new production of Don Giovanni, with cast headed by Lucio Gallo, Jean-Philippe Lafont, Joanna Kozlowska and Dagmar Schellenberger (8852 1845)

■ STUTTGART

STAATSTHEATER

Tonight, Sun: Gabriele Ferro conducts Hans Neuenfels' new production of Meistersinger, with Wolfgang Probst as Hans Sachs. Tomorrow, Sat: Stuttgart Ballet in Béjart's choreographic version of Die Zauberflöte. Fri, next Tues: Così fan tutte. Mon: Mozart's opera Die Zauberflöte (0711-221795)

LUDWIGSBURG FESTIVAL

Paul Taylor Dance Company from New York presents Taylor's latest choreographies tomorrow and Fri. Vladimir Ashkenazy conducts Berlin Radio Symphony Orchestra and Chorus on Sat in Mahler's Third Symphony, with mezzo soloist Sara Fulgoni. Also on Sat, Wendy Warner gives a cello recital at the Ordenssaal. Highlights in July include two performances of John Eliot Gardiner's semi-staged production of Don Giovanni and a Jessye Norman song recital. The festival runs till September (07141-939610)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Ian Davidson

Après moi, le vide

The race to replace Jacques Delors is based on false expectations

Smart Alecs on the European circuit have lately taken to poor-mouthing Jacques Delors as if he had over-stayed his welcome and over-stretched his powers. But if you want an objective measure of what Delors has achieved in his 10 years as president of the European Commission, you only have to look at the international calibre of the politicians who want to succeed him. A decade may or may not be too long. But the fact is that Mr Delors has raised the status of his job to a level where only those with top qualifications need apply.

Walter Hallstein, the first president of the Commission, was also by far the most impressive, until Delors came along; and yet Hallstein, came from a modest background as a junior minister in the German government. Roy Jenkins was another distinguished president, and he had had a much more prominent national political career; but Jenkins never quite made it to the top in British politics.

Today, in contrast, the battle to succeed Delors is being fought out between prime ministerial candidates: Jean-Luc Dehaene of Belgium, and Ruud Lubbers, until recently the long-serving premier of the Netherlands. Not long ago, there was a third prime minister reported in the running, Felipe Gonzáles of Spain. And when Chancellor Helmut Kohl seemed to be facing certain defeat in the German federal elections, nobody laughed when it was suggested that even he might be a contender for the Brussels job.

So fierce has the battle become, that if it isn't finessed through a compromise on one of the lesser candidates, such as Peter Sutherland or even Sir Leon Brittan, it could even deadlock this week's European summit on Corfu.

But the paradox of the battle over Delors' successor, is that it seems to be largely based on misplaced expectations. For the one thing we know almost for sure, is that the next president, whoever he is, will be a much less important figure than Delors; not for reasons of personal incapacity, but because the circumstances which favoured Delors have changed or are changing. Indeed, it is possible that no president will ever again play as big a role in the construction of Europe as Delors has played in the past 10 years.

First, the volume of European legislation is likely to shrink, and with it the role of the Commission as its motor. The single market white paper and the Single European Act stimulated an unprecedented proliferation of legislative proposals in the run-up to the introduction of the unified market in 1993; but that process is now complete, so the pace of legislation will subside.

No president will ever again play as big a role as Delors has played in the past decade

Second, the anti-European backlash in many member states, and the new stress on subsidiarity enshrined in the Maastricht treaty, should ensure that the Commission will think twice before trying to push forward the frontiers of European integration with gratuitous new initiatives.

Third, and the most important factor, is that Europe's agenda is now changing from the technical to the political; as a result the centre of gravity will move from the Commission to the member states.

In the 1980s, Delors was brilliantly successful in inventing, and then in riding the bureaucratic processes which led, with apparently inexorable logic, from the white paper to the Single European Act, then to the so-called Delors committee on Economic and Monetary Union, and finally to the Maastricht treaty. But the reason why he was able to dominate this process, was that it could be represented as little more than the implementation of long-established EU goals: the single market was the logical extrapolation of the Rome treaty's customs union, while monetary union had been a declaratory objective of the member states since the early 1970s. All Delors was doing, was putting the power of the Brussels machine behind political objectives of uncontested legitimacy.

His successor will not be able to match this bureaucratic *tour de force*, because the next phase in the development of the European Union, the enlargement to the east, lies in uncharted territory. No one knows exactly how east Europe can be accommodated within the Union; but everybody knows the enlargement process will require far-reaching revisions of Europe's treaty arrangements. These revisions will undoubtedly be bitterly contested by different governments. It is already clear, for example, that the 1996 Inter-Governmental Conference will be a fierce battle between supporters and opponents of a more explicitly federalist Europe.

In this battle, the Commission has no leadership role. It has a mandate to uphold existing treaty obligations; and perhaps it can fudge a mandate to extend *existing* treaty obligations; but since it has no independent legitimacy, it has no mandate to invent new political objectives. Those can only be determined by the member states.

So when you hear that Britain opposes the appointment of Dehaene, on the grounds that he is a federalist, you know that the British government is once again talking through its collective hat. Not merely will the future shape of Europe not be determined by the preferences of the next president of the commission, he will not even be asked to draft the agenda.

What will count, in 1996, will be the line-up of France and Germany. In next spring's presidential election, French conservatives may be tempted to play the nationalist card, though in practice they would almost certainly revert to the traditional pro-European alliance with Germany. But it would be a delicious irony if the next phase in the development of Europe were led by President Delors – of France.

George Michael lost in court - but have music companies won, asks **Michael Skapinker**

Designer stubble that got burnt

Watching George Michael giving evidence in the High Court in London last October, it was difficult not to like him. He was confident and personable, and Mr Justice Jonathan Parker, the presiding judge, was clearly not immune to his charms.

In his 273-page judgment yesterday on the singer's dispute with Sony, the music company, the judge described George Michael as "intelligent and articulate" and "refreshingly candid" and said that his evidence had been given "fairly and honestly".

The judgment contained no other good news for the singer. Mr Justice Parker dismissed Michael's claim that his contract with Sony should be declared an unreasonable restraint of trade and therefore unenforceable.

The judge said that Sony had behaved fairly towards the singer. He rejected Michael's claim that the company had tried to "kill" his last album as a punishment for his refusal to appear in a promotional video.

The judgment comes as a relief to the music industry which feared that, had George Michael succeeded, dozens of other artists would have demanded changes to their recording contracts.

The relief has been tempered, however, by the news that Michael is considering an appeal. Music companies recognise, too, that the George Michael judgment was based on a specific set of circumstances, which might not apply to other artists and contracts.

In addition, sympathy for Sony among music companies has been limited throughout the case. Senior executives at rival companies believe Sony should never have allowed its relationship with one of its leading artists to deteriorate to the point where he decided to go to court.

In his judgment, Mr Justice Parker said that one of the problems appeared to be the singer's over-sensitivity. He referred to a concert Michael gave in Toronto in 1991, which the singer described as one of the low points in his relationship with Sony.

Two senior Sony executives arrived at the concert by private jet. When the singer looked for them after the concert, he was told they had left halfway through. Michael told the court during his evidence: "I was very offended by this... I felt it was actually a fairly deliberate move."

Mr Justice Parker said he was satisfied the two executives had stayed until the encores. He added: "Mr Michael has demonstrated a degree of touchiness which I find surprising and which needs, in my judgment, to be borne in mind as the story continues and as Mr Michael's relationship with Sony progressively deteriorates."

Some rival music executives take a different view. If you cannot deal with touchy, sensitive individuals, they say, you should not be in the music business. Most artists go through periods of insecurity. Many feel they are not fully appreciated by their companies, the press or the public.

The job of a music company manager is to make sure that these feelings do not grow to the point where the artist can no longer perform. If music companies cannot get on with their successful artists any longer, some executives believe they should consider ending their relationship. To reach this point is widely seen as a failure. To go further and engage in a widely-publicised acrimonious legal battle is regarded by many as worse.

One executive said yesterday: "I never see law suits as being happy. This should never have come to court. These things should be settled on the basis of mutual respect."

Other music companies feel, too, that Sony's victory does not mean the contracts with their artists will now escape scrutiny. Had George Michael won the case, other artists would probably have attempted to alter their contracts. His loss might dissuade some from doing so, but music executives said yesterday there would still be legal challenges in the future.

Mr Rupert Perry, UK chief executive of EMI Music and chairman of the British Phonographic Industry trade association, said that while the George Michael dispute had attracted more publicity than previous cases, there had been instances of artists challenging their record companies and winning.

In 1989, the Court of Appeal found that the contract between Holly Johnson, lead singer of the group Frankie Goes to Hollywood, and the recording company Zang Tumb Tuum was unenforceable. The court said that the contract, lasting up to nine years, was "grossly one-sided".

Mr Perry said the law appeared to be evolving. It was too soon to draw any definite conclusions from the George Michael case.

Mr Justice Parker made it clear that his decision was based on Michael's relatively powerful negotiating position with Sony, resulting from the high level of sales he had achieved and previous successful attempts to renegotiate his contract.

The singer's attempts to alter his contract date back to 1983, when George Michael was part of the duo Wham! He claimed then that his contract, with a company called Inner Vision, was an unreasonable restraint of trade and took legal action. This was settled and resulted in a new agreement with CBS, the US entertainment company.

Following the break-up of Wham! in 1986, Michael produced his first solo album, Faith, which was a huge commercial success. Michael then asked to renegotiate his contract, so that he would be treated on a par with other superstars. This resulted in a new agreement, requiring Michael to record additional albums, but improving his financial terms.

In 1988, CBS was taken over by Sony. The singer spent that year touring outside the UK, which had favourable tax implications for him. He asked Sony to bring forward payment of money due to him, so that he would receive it during his time outside the UK. The company agreed and paid him advances and royalties of over £11m.

In 1990, he successfully renegotiated his contract once more, further improving his terms. However in February 1992, the singer's lawyers told him he could argue that his agreement with Sony was an unreasonable restraint of trade. Six days later, his accountants wrote to Sony requesting an advance of $1m due for his next album. Sony paid the advance.

The judge said that in August 1992, George Michael repaid the advance. In October of that year he started legal action. Mr Justice Parker said that when the contract moved from Inner Vision to CBS, this was the result of an agreement to end a legal dispute. It would not be right for Michael to attempt to claim the subsequent agreements were unenforceable. He had expert legal advice at all times. Moreover, by accepting the $1m advance he affirmed his agreement with Sony.

In a statement after the judgment was announced, Michael said that the renegotiations of his contract were an attempt to improve an agreement first made when he was 18. He added: "I was trying to make the best of a bad job."

The problem with recording contract the singer said, is that when you sign your first one you are stuck with it. "There is no such thing as resignation for an artist in the music industry. Effectively, you sign a piece of paper at the beginning of your career and you are expected to live with that decision, good or bad, for the rest of your professional life."

Rival music executives believe that if the singer is not successful in any appeal, he and his music company will have to find a way to live with one another. One solution would be to shorten the length of the contract.

Sony said yesterday that it looked forward to continuing its relationship with Michael. The singer has said in the past that he would never record for Sony again. One music manager said that would be the end of George Michael's career. "Kids' tastes change very rapidly. Nobody can afford not to record for years, except Frank Sinatra, of course."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Effectiveness of single market rests with member states

From Mr Raniero Vanni d'Archirafi.

Sir, If you had found time to read the two earlier reports concerning the internal market council, ("Foot-dragging slows path to single market", June 16 and "Brussels shelves pension deregulation" June 17), you might have chosen to revise your editorial, "Slipping Market" (June 17).

In one of them, I was described as being "on the warpath". Indeed, I left the council of ministers on June 16 in no doubt of my continuing commitment to bring about a fully effective internal market.

Since 1992 the Commission has systematically taken member states which do not fulfil legal obligations on time to the European Court of Justice. Last week I told the council of ministers the Commission would in appropriate cases use its power under Article 171 of the treaty, which provides for recommendations of fines to the court once an infringement has been proven.

The Commission has made public for the first time which member states have fallen behind in which areas, in order to increase pressure on national governments to make transposition their number one priority. At the next council meeting in October we will look at the quality of national transposition measures in detail. This vigorous approach was endorsed by ministers.

As for mutual recognition of national rules, to describe the Commission proposal for a notification procedure as "a plan for national civil servants to report on other governments that do not stick to the rules" is either a misunderstanding or a misrepresentation. This proposal completes existing measures by providing a practical means whereby national authorities would inform each other and the Commission whenever they decided to refuse access to their markets to particular products for reasons related to the protection of health, safety, the environment or the consumer.

Some member states (a minority) dislike our proposal and will label it bureaucratic, but the lively debate in the council last week demonstrated that it goes to the heart of the issue. I note from your article that the UK minister responsible for deregulation fully supports it and has referred to it as a "crowbar to prize open markets".

Your editorial makes the mistake of shooting the messenger. It is the member states which must decide at the end of the day how effective they want the single market to be. Meanwhile I will continue to do everything in my power to ensure that the member states live up to their obligations.

Raniero Vanni d'Archirafi,
Single Market Commissioner,
European Commission, Brussels

Different concept of income

From Mr Richard Clements.

Sir, Michael Prowse ("Clinton v Friedman on welfare", June 20) is wrong. The proponents of a guaranteed "basic income" in Britain do not advocate negative income tax. The concept of basic income – now usually called citizen's income – is based on a different approach.

Citizen's income is a universal benefit, not means-tested or work-tested as negative come tax. It is based on the individual not the family unit. Negative income tax brings with it all the limitations of the existing welfare systems – administratively complex, a disincentive in that it extends poverty and unemployment traps, and a bureaucratic nightmare.

Richard Clements,
director,
Citizen's Income Trust,
Citizen's Income Study Centre,
St Philips Building,
Sheffield Street, London WC2

High ground in question

From Mr Terence Feely.

Sir, If John Postgate ("Religion: are we better off without it?", June 18) wishes to claim the high moral ground for science and scientists we had best look to his climbing rope. When Einstein, for instance, produced E=MC2 as an untainted intellectual crystal, who were all those brilliant beings at Los Alamos who turned it into the primal nightmare of our time? Priests? Mullahs? Accountants?

Terence Feely,
The Garrick Club,
Garrick Street, London WC2

Innovation index would help rate R&D success

From Dr Fiona Steele.

Sir, Your feature, "Technology: R&D Scoreboard" (June 17) is a welcome recognition of the importance of technology in underpinning the wealth-creation process. As you also recognise, R&D is only one of the contributors to a company's competitiveness. Without attention to the whole range of innovation indicators – including capital investment, market research and training – R&D on its own can be misleading. Indeed, the latest Confederation of British Industry/Natwest Innovation Trends Survey, weighted to reflect the performance of all sectors, indicates a reduction in the amount of expenditure, not an increase, as the R&D scoreboard suggests. Differing timeframes can possibly explain this apparent contradiction, and certainly trends survey predictions for the next 12 months are more bullish.

But in the accompanying interview with Michael Heseltine, trade and industry secretary, it is acknowledged that it is the quality of the output from innovation investment in terms of profitable products that counts; and this points to the need for an innovation index to assess outcomes.

The CBI/Natwest survey has influenced much of the thinking behind the development of such an index, not least by providing the database of companies for the joint CBI/Department of Trade and Industry activity on best practice. The survey will help place individual company performance in the context of its related sector. The indicators need to be developed in parallel and we are in close touch with the DTI on the way forward.

Fiona Steele,
head of technology group,
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Attack on life insurance industry comes rather late in the day

From Mr Andrew Moulder.

Sir, How commendable it is that, once again, Mr Joel Joffe should bring the misdeeds of those rascals in the life insurance industry to the public's notice. He is to be thanked for this, the latest effort in his crusade against these despicable people (Letters, June 18/19).

Of course, a cynic might well inquire as to the rationale behind his sudden missionary zeal and further inquire as to why a man with such strongly held views on such pressing matters did not chose to air them during his time with a company – the name of which temporarily escapes me but, surely, not one of those "driven by an unprincipled disregard for the best interests of the public" – and why he should now choose to bite the very hand that fed him so well. But, of course, I am not that cynical.

In the meantime, as per Mr Joffe's calling, I for one willingly express my deep regret for being a part of such a unregulated miasma and, yes, I certainly am grateful to Mr Joffe's new-found friends, those financial journalists of the school of incisive reporting, for their labours in this field. However, it is Mr Joffe who really deserves our thanks and I shall certainly sleep easy in my bed in the sure and certain knowledge that Mr Joffe is still out there doing his bit for those of us still trying to earn an honest shilling from the industry he now finds so distasteful.

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Wednesday June 22 1994

Britain's labour laws

Labour law could be on the point of re-emerging as a central issue in British political debate. The immediate images of a rail strike, flickers of militancy in pay bargaining, and the sight of Labour leadership candidates jousting over how much of Conservative trade union legislation to abolish, suggest that such a re-emergence may not be on terms that British business would welcome. Most business leaders, after all, like most Conservative politicians, are happy enough with the current regulatory mix. Strikes remain rare, unemployment is falling, why tamper with the system?

This is unlikely to be a sustainable approach. A Labour party led by Tony Blair is almost certainly electable, and if elected it will owe a big debt to the trade unions. In any case, labour market changes have raised new questions about the appropriate balance between employee rights and employer flexibility. Moreover, Britain's system of labour law is becoming over-complex. It combines traditional contract law, in which collective trade union rights are expressed as immunities, with both domestic and European positive rights legislation. Rationalisation of this hybrid is required.

The subject is best sub-divided into the issue of individual employment rights and the overlapping issue of the framework within which unions should operate. Contrary to much rhetoric, union decline has not left employees unprotected before the whims of bad employers. The last two decades have seen a mushrooming of workplace rights, from protection against unfair dismissal to all the fields now covered by Brussels directives. It is true, however, that thanks to the complexity of the law and the slow operation of the industrial tribunal system, many employees feel less protected than they should, while many businesses complain of an excessive regulatory burden.

Employee rights

One answer, which could appeal to either a Conservative or Labour administration, is to make greater use of the formal contract of employment. Written into that contract could be a Citizen's Charter for the workplace, outlining employee rights. Such a clarification of rights (and obligations) could reduce uncertainty for both employers and employees, especially in smaller companies. It might be supplemented by a code of practice, drawn up the Confederation of British Industry and the Trades Union Congress, on those matters not covered by the law.

Union role

Where do unions fit into this? Many union officials say, with justice, that individual rights are most meaningful when unions enforce them. That might make a case for a right to union representation. But a full-blooded right to bargain collectively is more problematic. A law to this effect did not work effectively in the late 1970's – remember Grunwick? – and many companies which have effective communication and participation without unions might find themselves hussled into unsuitable arrangements. Similarly, although contract law means that the right to strike has to be expressed, anachronistically, in terms of immunity from damages, a positive right to strike might – in a British context – shift the balance too far in favour of strikers. Most continental European countries do have a positive right to strike, or not to be dismissed while on strike, but these derive from far more legalistic systems where unions often have to jump through many more legal hoops than in Britain.

A Blair-led government would probably only tinker with Conservative union legislation. It might also steal a march on the Conservatives by making available to *all* employees the rights to consultation, in fields such as health and safety, which still remain linked to union recognition. But Labour is currently also commited to a right to bargain collectively and a right to strike. Even more worrying from the point of view of job creation and effective management is the party's pledge to abolish the probationary employment period by insisting on full protection from unfair dismissal from the first day of employment.

Mr Blair himself is no doubt aware of the dangers of hefty re-regulation of the labour market for a party committed to rapid job creation. But whatever the colour of the government, there will be a need for continued modernisation of Britain's labour laws.

Guilt trip to Rwanda

The slaughter in Rwanda began well over two months ago, after the death of President Juvenal Habyarimana in an air crash on April 6. It quickly became clear that the death toll was running into hundreds of thousands. The UN's first reaction was to pull out most of the 2,500 troops it then had in the country. By May 16 the Security Council felt sufficient collective shame to decide that a larger force of 5,500 men should be sent in. After a certain amount of arm-twisting, African countries from Senegal to Zimbabwe came up with offers of troops. But the logistics, weapons and specialised units were to come from industrialised countries. For most of those the UN is still waiting.

Suddenly last week, as if waking from a deep sleep, the French government informed the world that what was happening in Rwanda was intolerable, that something should be done to stop it, and that France was ready to send troops. Why? The usual explanation applies. The massacres had become unpleasantly visible on French television, aided by a visit from the ever-telegenic Dr Bernard Kouchner, minister for humanitarian affairs in the previous French government.

Western conscience

Better late than never, perhaps; and conscience is still conscience even when pricked by television. But the French conscience in this case, like the western conscience in the case of the Iraqi Kurds three years ago, is pricked not only by solidarity but also by guilt. The Rwandan government and army, instigators of the current genocide, were bolstered until very recently with French military and financial support.

France's desire to halt the unintended consequences of its past policies is no doubt laudable. But understandably the guerrillas of the rebel Rwandan Patriotic Front distrust French motives, believing the real object of the planned intervention is to deny them an outright victory in the civil war. They have rejected the plan, warning that they will treat any French soldiers in Rwanda as hostile. Yesterday they rejected an invitation to Paris for talks.

The French plan also appears to lack any clear objective beyond the immediate emotional imperative of rescuing civilians trapped in the conflict. But as the Somali imbroglio made clear, rushing into a humanitarian intervention without a political masterplan carries the risk of trapping soldiers in a military operation without clear goals or a defined exit.

It is somewhat naive to believe that French forces will be able to protect civilians without getting caught up in the conflict. Liberating civilians from government concentration camps would involve taking on unruly militias enlisted by the army to halt the rebel advance. Nor is it clear how public opinion will react in France if the intervention force begins to suffer casualties.

UN plan

In short, France would do much better to throw its weight behind the existing UN plan, with a view to beefing and speeding it up, than to proclaim a brand new French initiative and charge in at the head of an *ad hoc* force. It could also play a useful diplomatic role, by exercising leverage on its former protégés in the Rwandan government. On the RPF side (which certainly needs to show moderation if genocide is not to be avenged by the imposition of minority rule) leverage could best come from President Yoweri Museveni of Uganda. Ethnic ties being stronger than state frontiers, many RPF fighters owe weapons and training to previous service under his command.

But many more questions need to be addressed by the UN membership as a whole, and especially by the permanent members of the Security Council. Perhaps these two are the most urgent:

- Should they be sending troops to Rwanda, in the probably vain hope of stopping a massacre when so many thousands are already dead; or would they do better to deploy a force in neighbouring Burundi, where genocide between the same two ethnic groups might yet be prevented?
- If they really want the UN to be able to intervene effectively and in good time when such horrific conflict breaks out, should they not endow it with a properly trained and equipped standing force, ready to leave at a moment's notice?

Race for the Elysée: Jacques Delors, Commission president; prime minister Edouard Balladur; Henri Emmmanuelli, Socialist leader; Francois Léotard, defence minister; RPR's Jacques Chirac

Elbows out at the starting blocks

The race for the French presidency is heating up now the European elections are over, says David Buchan

The French presidential election campaign is suddenly under way, even though the final round of voting is 11 months away. Yesterday saw Mr Jacques Chirac, leader of the Gaullist RPR party, publish his campaign manifesto, masquerading as a book under the title of *Une Nouvelle France*. The French media found this so exciting that yesterday they were out in force to film people buying the book.

The race for the Elysée palace always transfixes France's attention. It is the ultimate prize of French politics. It can confer on the winner more relative power – when he also has a parliamentary majority – than a US president can wield, and for a term of seven years that is nearly twice the four-year term allowed under the US constitution.

It was always evident that the election for members of the European Parliament on July 12 would mark the effective beginning of the presidential campaign. But until the Socialist party dumped Mr Michel Rocard a week later, it was not clear how dramatic the start would be.

On the face of it, the implosion of the Socialist party after its dismal showing in the Euro-election seems to confirm the swing to the right that gave French conservatives 80 per cent of the seats in the 1993 parliamentary elections, and to reinforce the likelihood that the right will take the Elysée next year. But into the Socialist vacuum may eventually be drawn Mr Jacques Delors, the outgoing European Commission president, to carry the party's presidential colours against a possibly divided centre-right.

The Socialists' present abject weakness is encouraging among conservatives a similar sort of rivalry to that which helped elect Socialist President Mitterrand in 1981 and 1988. The Euro-election, in which mainstream parties of left and right gained only 40 per cent of the vote, has helped splinter an already fragile party structure.

In replacing Mr Rocard as its first secretary with Mr Henri Emmmanuelli, the Socialists have chosen a capable caretaker. With his stated dislike of the party's recent elitism, Mr Emmanuelli will try to recapture some of the working-class support that has poured away to Mr Bernard Tapie. The latter quipped that he and Mr Emmanuelli had in common the fact that they have both been under judicial investigation; Mr Emmanuelli's case concerned allegations of impropriety in party finances when he was party treasurer; Mr Tapie's current problems revolve around his business affairs. But Mr Emmanuelli has openly criticised Mr Tapie's call for youth unemployment to be made illegal as pure demagoguery – a stance that will make a Socialist rapprochement with the Marseille politician no easier.

The task of resurrecting the Socialist party will be hard. To distinguish itself from the Communist practice of suppressing dissent, the party invented a system of proportional representation which means that each of its various ideological "courants" are always present in its executive. Over time, these courants have become warring clans grouped around individual chieftains. Last Sunday Mr Rocard proposed abolishing the system, and was voted down and out; so the system goes on.

Nor does France's governing Gaullism, particularly in the generally cautious hands of Prime Minister Edouard Balladur, give the Socialists much to kick against. True, they have been able to exploit Mr Balladur's slip-ups when he tried to permit some public financing of private schools and when he tried to reduce the minimum wage for young apprentices. . But the prime minister is, for instance, pursuing privatisation too gently for the Socialists to object plausibly.

If Mr Delors could be persuaded to run, he might conceivably prove equal to the Herculean task of keeping a Socialist in the Elysée. According to a CSA institute opinion poll this week, 47 per cent of those questioned said they would have confidence in Mr Delors as president, one point behind Mr Balladur at 48 per cent but well ahead of Mr Chirac at 37 per cent. This is highly encouraging for the Socialists, whose real fear about Mr Rocard was that he might not have made it into the final two-candidate run-off for the presidency.

Mr Delors knows his poll standing is a bit illusory, including a *"prime d'éloignement"* (a distance premium) that would disappear if he were actually to re-enter French politics and have all of the country's complaints about Europe heaped on him. His candidacy would confront the right with its own divisions over Europe. But it is questionable whether the cerebral Mr Delors could, or would want to, boil 10 years knowledge about European integration down into the simplistic terms of "what's in it for France?" that a national electorate would demand.

However, the greater the chance of Mr Delors staging a "second coming" to French politics, the shorter the odds on Mr Balladur prevailing over Mr Chirac to be the right's presidential candidate next May. For the prime minister has long portrayed himself as the only leading member of his own Gaullist RPR party who can also carry the centre-right UDF federation with him to beat off any *serious* left-wing threat. This threat was once posed by Mr Mitterrand, might be by Mr Delors, but patently cannot be by Mr Rocard.

Immediately after Mr Chirac and Mr Raymond Barre, the former prime minister, split the conservative vote in 1988, Mr Balladur started campaigning for a single RPR-UDF candidate in 1995. Others took up the idea. By 1991 Mr Chirac and Mr Valéry Giscard d'Estaing, president of the UDF, agreed on a formal "charter" under which a single candidate would emerge from a series of regional primaries held a week apart and modelled on the American system.

This charter is championed nowadays only by Mr Charles Pasqua, the interior minister. It has remained a dead letter perhaps because it is not the French way – and not incidentally in Mr Balladur's Byzantine style – to resolve internal conflict in public. However, Mr Balladur has since pursued the same goal by other means. After the 1993 elections in which the RPR won more seats than the UDF, he named no fewer than 16 UDF ministers and only 13 RPR ministers to his government.

The UDF, or key parts of it, has since rewarded him by discreetly giving him their backing for the Elysée. A key part is the Republican party (RP), which accounts for 40 per cent of the UDF's 213 parliamentary seats and is much the largest of the UDF's components.

It was perhaps inevitable ideologically that the Republicans would be most susceptible to the wooing of a Gaullist of Mr Balladur's stamp. They represent liberal free-market thinking – always relative in French terms – that is on the right of a federation whose leader, Mr Giscard d'Estaing, has drifted more towards the centre, where the Christian Democrats better reflect his pro-Europeanism.

Indeed, within the Republicans there is now an ABG (Anyone But Giscard) element which regards the former president as a patrician has-been. Twenty-seven of them threatened last week to break away from the UDF parliamentary group in order to prevent being coralled into endorsing a UDF presidential candidacy for fear, possibly founded, that Mr Giscard d'Estaing might have another go at the Elysée. They were temporarily dissuaded by the convening of a RP convention this coming weekend to discuss the issue of a single candidacy. The RP's honorary president, Mr Francois Léotard, the defence minister, has indicated that he might run for the presidency, if Mr Giscard d'Estaing does.

By the opposite logic, Mr Chirac gives every sign of wanting the UDF to field a candidate because it could not then back Mr Balladur. His RPR loyalists now openly question the need for a single RPR-UDF candidate. These loyalists are led by Mr Alain Juppé, who is the RPR secretary-general as well as foreign minister.

Mr Juppé took time off from pressing business on Rwanda to publish in yesterday's Le Monde newspaper a review of Mr Chirac's book, praising the RPR leader's "energy and contagious enthusiasm". These are indeed the qualities, coupled with a certain generous lack of calculation, that endear Mr Chirac to the Gaullist machine.

He certainly miscalculated with Mr Balladur whom he has regarded more as a sort of sage chamberlain than a top-flight political rival, it was Mr Chirac who wooed Mr Balladur back into politics in the late 1970s, made him finance minister in 1986 and backed him for prime minister last year. It is ironic that Mr Chirac, one of the most experienced of French politicians in terms of offices held, should take so long to learn that in politics favours are rarely returned.

Common perceptions about how wealth is created are misleading, argues Tony Jackson

Minds over matter

Collectors of dotty opinions may have noticed a fine example in *The Guardian's* letter columns a few weeks back. It came in response to a thoughtful and informative article in that paper on the subject of New Age travellers, squatters, crusties and the like. The writer, Jo-Ann Goodwin, had ventured the rash thought that some of those she talked to made "no connection between Income Support and the work and taxes of others".

This was too much for Mr David Richardson, of Westcliff-on-Sea, Essex. Did Ms Goodwin, he asked, ever wonder about her own income? Did it not come, like the giro cheques of the New Agers, "out of the general pool of available resources?"

As a journalist, the letter continued, Ms Goodwin was no more productive than those she wrote about. If only the obviously productive were to be rewarded, "it would be miners and their families featuring in the gossip columns".

The striking thing about this argument is not so much its absurdity as the assumptions which underly it. Along with many of Britain's captains of industry and not a few Tory ministers, Mr Richardson evidently believes that wealth is created exclusively by producing physical goods that you can bark your shin on. The rest of us, whether journalists, New Agers or piano teachers, feed on the wealth thus created.

As a journalist myself, I am tempted to stand this nonsense on its head. The newspaper industry involves quite a lot of physical production: the growing and cutting of trees, the manufacture of newsprint, the printing and production of the newspapers themselves. But all of it depends on the ability of us journalists to inform and entertain. No readers, no papers. No papers, no jobs.

Even upside down, the argument is still nonsense. It is partly based on what might be called the Desert Island fallacy. In a state of nature, such as a desert island, certain things such as food, warmth and shelter are essential to survival, and thus take legitimate priority over other things. But the modern developed world is not a desert island. Everything connects, and everything depends on everything else.

In such a world, primary goods may or may not be of primary importance. If Britain's farms were to vanish in a puff of smoke, life would go on: food would simply be imported through existing distribution systems. If, on the other hand, the nation's computer software and telecommunications were to vanish, the result would be instant chaos and mayhem.

Behind this lies a deeper confusion: the notion that services – anything from rock concerts to dentistry – are somehow luxuries to be paid for, rather than a source of wealth in themselves. But in crude terms, the wealth of a society – however that latter term is defined – consists of the sum of its outputs. The more productive the members of that society are, the more outputs there are to go round: and the more highly my output is valued by others, the more of their outputs I can get in exchange.

As to the importance of tangible outputs in a society, one simple indication is how people choose to spend their wages: that is, what kind of outputs they seek out in exchange for their own. If we take household consumption in the UK, as measured for the purposes of compiling the retail price index, we find that about a third of expenditure goes on non-physical things such as holidays, insurance or telephone charges.

That is only part of the story. About 35 per cent of people's gross income in the UK is paid in taxes. Most of the things bought with that money are non-physical: education, health, social security – which is chiefly another form of insurance – and even defence. On the perhaps slightly dicey assumption that the pattern of government expenditure ultimately reflects society's wishes, that means that the average UK inhabitant chooses to spend around half of his or her resources on intangible rather than tangible goods.

The trouble about the New Agers, of course, is that they produce nothing which the rest of us would willingly swap for the results of our own labours. Thus, while they dip into the pool of available resources, they do nothing to top it up again.

But Mr Richardson should not be disheartened. The dispelling of the manufacturing fallacy, after all, cuts both ways. If the New Agers could find a way of transmitting inner peace and harmony to the rest of us, they would be doing quite as productive a job as any other worker by hand or brain.

OBSERVER

Pound of flesh for IOC

■ The International Olympic Committee, in Paris tonight for its centennial birthday party, will be attending closely to Dick Pound, IOC marketing boss and odds-on favourite to succeed Juan Samaranch as IOC president.

Pound, a Canadian lawyer, has warned US attorneys to stay out of the 1996 Atlanta Games. "Some means must be found to keep the Olympics in Atlanta free of litigation," says Pound.

His anxiety stems from a recent kerfuffle between the International Amateur Athletics Federation and its multi-million dollar sponsor, Coca-Cola. They were involved in a $27m damages claim – just overruled – against the IAAF by Butch Reynolds, an athlete banned after dope tests.

If sponsors like Coca-Cola dispense huge wads to sporting associations, perhaps only to see them disappear into the wallets of lawyers, they might think twice in future. Such boat-rocking is bad news for the IOC, hoping for at least $2bn in sponsorship at Atlanta.

There might even be fewer celebratory dinners.

Stifling Ariel

■ So much for the breath of fresh air supposedly sweeping through the corridors of the BBC as it adjusts to the competitive world marketplace.

When John Tusa, a former senior executive and current BBC TV presenter, delivered the annual James Cameron memorial lecture at the City University last week, it was widely reported in the outside world.

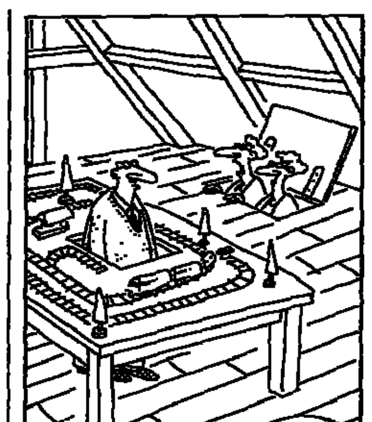
Tusa had some unflattering things to say about the regime of John Birt, who beat Tusa to the BBC director-general's job. However, Ariel, the BBC's staff magazine, chose to ignore the speech.

Was it only last year that Birt denounced the old-style BBC as a Soviet-style command economy with arcane structures? Perhaps he should start by introducing some producer choice into Ariel, the BBC's answer to Pravda.

Plumb job

■ After last week's Euro-election debacle, it might be thought the remnants of the Tory MEPs would hunker down and pull together. Instead, they are now squabbling about who is to be the chairman of their ever-dwindling group.

Will it be Edward McMillan-Scott, ex-PR man and former adviser to the Falkland Islands? Or perhaps the bearded MEP for Surrey, who caught Observer's eye by signing off his election literature with an endearing "love, Tom Spencer"?



'He lives for Wednesday'

And they are not the only ones bidding for the chair.

Given that the 18 Tory MEPs have already anointed dear old Lord Plumb as their leader, why on earth do they need a chairman as well?

Are we talking power politics here or jobs for the boys?

Via dolorosa

■ Britain's greatest living film-maker, Peter Greenaway, will tonight be musing on how ultimately life imitates art.

His 1987 movie The Belly of an Architect was about an artist who visits Rome to mount an exhibition, but who is hopelessly thwarted.

Greenaway's plan to stage a *son et lumière* in one of Rome's loveliest squares, the Piazza del Popolo, designed by Pope Sixtus V, has just been scotched by contemporary Roman bureaucracy. His "Cosmology of Piazza del Popolo" was to have been the climax of a British Council programme of British art and theatre.

The idea was to compress a 24-hour day into 10 minutes of pyrotechnics, accompanied by music. But he has run foul of the local authorities; despite having performed all the rituals required by the municipality, last-minute objections have dimmed Greenaway's lights.

But maybe he's just fallen foul of Italy's new arts minister, the neo-Fascist Domenico Fisichella: "We accord the status of 'art' only to aesthetic works several centuries old."

So, that takes care of Pasolini, Modigliani, Fellini, Primo Levi . . .

Checking out

■ If the mafia didn't get you, the rats and cockroaches surely would. But no longer. The hotel Rossiya, the world's largest and least attractive hotel, occupying a prime site next to the Kremlin, is closing.

The overwhelming presence of scuttling vermin has prompted Moscow's sanitation department to shut down the Rossiya, pending fumigation. A 1960s architectural monstrosity, the hotel stands on a site which had been densely populated with churches. Its present plight is thus something of a revenge by Moscow's underlife.

In the past few years a home-from-home for provincial Soviet and then Russian parliamentarians, the Rossiya has suffered the familiar miseries of rising prices and falling incomes. Its many restaurants are rarely ablaze with carefree deputies carousing on government expense accounts.

The final blow came with the abolition of the Congress of People's Deputies, the full Russian parliament which met several times a year and which brought more than 1,000 legislators to town and to the Rossiya.

Can the hotel be saved? It has neither the splendour of the pre-revolutionary Muscovite palaces, now home to some new western-built hotels, nor even the Stalin wedding-cake kitsch coming into vogue. The Rossiya must await a revival of interest in glass-and-concrete boxes.

By then, the rats and the cockroaches may be firmly ensconced.

Pardonable

■ What do you get when you cross an actuary with a member of the mafia?

An offer you cannot refuse, but do not understand.

FINANCIAL TIMES
Wednesday June 22 1994

Economists say 4-6% target will not be met

German money supply growth slows in May

By David Waller in Frankfurt

German money supply grew at a lower-than-expected annual rate of 13.7 per cent in May, down from 15.4 per cent in April, and by 0.5 per cent between April and May, the lowest month-on-month increase since November last year.

The figures were encouraging for the Bundesbank, facing a credibility problem with financial markets after runaway monetary growth over the past six months. But economists warned that the reduction in M3 growth could be temporary and said there was no chance the German central bank would meet its 4-6 per cent target for M3 growth for the year.

The improvement in the figures reflected one-off factors, such as the removal of the Bundesbank's profit, which had inflated the previous month's data. But bank lending continued to rise last month and capital formation did not improve, boding ill for monetary development in coming months. Bank lending, a key factor behind monetary growth and potentially a trigger for future inflation, rose 9.9 per cent over the previous six months on an annualised basis, an increase from the 9.5 per cent rate in May. Capital formation stagnated at the same level as in the previous month.

The Bundesbank blamed "special factors" for continuing high levels of monetary growth, especially the world-wide uncertainty over interest rates.

However, economists disputed whether the state of the world capital markets could be described as a special factor and called on the Bundesbank to make a clear statement of its monetary policy aims.

As Mr Hans Tietmeyer, Bundesbank president insisted last week, M3 remains the German central bank's most trusted guide to future inflationary developments.

A credibility problem has arisen because the central bank has cut interest rates aggressively despite the fact that money supply has overshot its target in each of the past two years and is virtually certain to do so again this year.

Some economists say that the appropriate response is to raise interest rates to bring M3 down, but the Bundesbank justified its most recent cut in the discount rate by arguing that this would lead investors away from short-term deposits into long-term investments, turning conventional monetary wisdom on its head.

The figures released yesterday were too early to have been influenced by the latest change in interest rates, but economists warned that the current poor state of world financial markets is likely to have prevented the desired shift in assets from taking place.

"There could be a further acceleration in M3 growth in June as a result," said Mr Holger Fahrinkrug at Schweizerische Bankgesellschaft/UBS in Frankfurt. "This would put the Bundesbank's strategy into disarray."

Brussels clears way for P&G to take over German group

By Emma Tucker in Brussels

The European Commission yesterday cleared the way for Procter & Gamble, the US consumer goods multinational, to take over Schickendanz, a leading German maker of sanitary pads, after deciding that the company would not dominate the German and Spanish markets.

Brussels approved the controversial deal after P&G agreed, at the last minute, to sell Camelia, one of the Bavarian company's main brands, within 12 months of the takeover.

The Commission had been worried that the joint forces of P&G's Always brand of sanitary pads and Vereinigte Papierwerke Schickendanz's Camelia would hinder competition by giving P&G 60 per cent of the German market and 81 per cent of the Spanish market. In Germany, P&G's nearest competitor, Johnson & Johnson, the US healthcare products company, has only a small market share. By selling Camelia, the merger will increase P&G's share to about 40 per cent – by value – with Camelia holding about 25 per cent and Johnson & Johnson about 10 per cent.

Mr Karel Van Miert, competition commissioner, said the merger, together with the divestment of the Camelia business by P&G was "a good thing for competition and a good thing for the consumer".

The case has been one of the most complicated takeovers to come before the Commission. It was on the verge of being blocked earlier this month, but at the last minute, P&G came forward with the offer to sell Camelia in order to win clearance for the deal.

The Commission has blocked only one deal in the two-and-half years since it was given increased powers to vet large mergers.

Only 10 per cent of the mergers that have been notified to the Commission have had to be substantially changed to win approval.

Mr Van Miert said yesterday this case had caused the Commission difficulty because of the speed with which it had to deal with last-minute undertakings from P&G.

He said he would like to make Commission procedure on mergers more transparent.

The need for greater transparency was more urgent in view of the sharp rise in notifications of mergers received by the Commission this year, said Mr Van Miert. He added that the increase possibly reflected the pick-up in economic activity across the EU.

Council refuses to release voting records

Continued from Page 1

After the spring row, and because the dispute will resurface before the 1996 constitutional review of Maastricht, the Financial Times sought information on the workings of QMV in decisions made by the Council of Ministers for foreign affairs, the internal market, social affairs and agriculture, back to 1989.

Under the single market programme alone, ministers agreed over 200 Euro-laws during that period, most under the QMV system.

The FT request was made under the code of conduct on public access to information, which was established after five successive summits of EU leaders called for more open government to "bring Europe closer to the people". Most votes taken since the code was passed last December are now made public.

In reply, on May 31, the general secretariat of the Council said it did "not compile voting records" and was unable to supply the information requested. On June 6, the FT exercised its right to a "confirmatory application", which means that the rejected request must pass from the Council secretariat to the member states for reconsideration.

The member states received the correspondence on the morning of June 17, when the low-level General Affairs Group of the Council tried to push through a second rejection. That was vetoed by the Dutch and Danes, while the UK sought more time to consider a change in the appeal procedure.

The request is expected to go to ambassadors of the 12 countries next week, EU diplomats say.

George Michael loses court fight over contract

By John Mason, *Law Courts Correspondent*

George Michael, the pop singer, yesterday lost his legal battle with Sony, the Japanese electronics and entertainment group, to have his recording contract ruled unenforceable.

In a case which attracted small armies of media and dewy-eyed fans to the High Court, Mr Michael argued he should be allowed greater freedom to pursue his career as a creative artist.

The pop star had claimed his contract with Sony to produce eight albums should be declared void because it amounted to unreasonable restraint of trade and was contrary to competition provisions of the Treaty of Rome.

Mr Justice Jonathan Parker yesterday rejected the singer's claims – ruling his contract with the record company was "reasonable and fair". The singer had access to expert legal advice when he signed the contract, the judge said.

A disappointed Mr Michael said it was likely he would appeal against the judgment which, he claimed, effectively upheld "professional slavery".

But the ruling was widely welcomed by members of the recording industry. Some have argued, that had the judgment gone the other way, it would have led to the renegotiation of many performers' contracts and to companies being discouraged from investing in new and untried talent.

Mr Rupert Perry, UK chief executive of EMI Music and chairman of the British Phonographic Industry trade body, said: "As an industry, we invest substantial amounts of money in this country. If the judgment stands, we will be able to continue to do so."

Sony appeared to offer an olive branch to the vanquished superstar. "We have great respect for George Michael and his artistry and look forward to continuing our relationship with him," it said.

Mr Michael, however, told a press conference he was confident the court's decision could be overturned. He said that under the terms of his contract with Sony, he had no control over how his work was exploited and no guarantee it would even be released.

The court has yet to decide how much Mr Michael should pay towards the legal action. One unofficial estimate put the cost of bringing the case at £3m ($4.56m).

Mr Michael was formerly in the group Wham! which had a string of hits in the early 1980s. His first solo LP *Faith*, released in 1987, sold 14m copies worldwide.

Designer stubble that got burnt, Page 14

THE LEX COLUMN

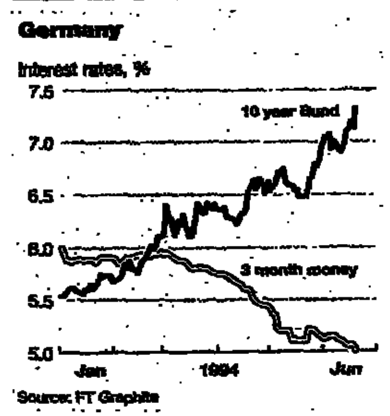
Dollar under fire

The Naples summit of industrial leaders in two weeks will look a sorry sight if these market conditions continue. A weak dollar is dragging down the US bond market. Other bond markets - illogically in view of its strong currency including Germany - are sliding in its wake. That in turn is upsetting equities. Against that background the summit leaders cannot credibly congratulate themselves about economic recovery. Pressure on central banks to calm the dollar with intervention will grow, now that the currency has tested levels below Y100. Yet apart from the Bank of Japan, which obviously has most at stake, it is hard to see them showing much enthusiasm.

Intervention may calm the market temporarily but without accompanying policy action it is unlikely to have much lasting effect. The Federal Reserve would need to signal its determination with another sharp rise in interest rates. Yet the US economy is showing signs of cooling and the Fed has indicated it would prefer to wait. Fear of another rate rise has clearly spooked the equity market, but it stands to lose both ways. Bond market nervousness and higher long-term interest rates are hardly a recipe for sustained recovery.

Similarly the Bundesbank is in a bind. With M3 money supply still growing at a 13.7 per cent annual rate and economic recovery in the air, it cannot relish the thought either of intervening or of cutting official rates again. The last rate cut, explicitly designed to curb M3 by encouraging investors to move out along the yield curve, does not seem to be working yet even though 10-year bonds yield 200 basis points more than three-month money. With markets in such a state, investors' natural inclination is to stick with cash.

FT-SE Index: 2940.2 (-30.9)



Source: FT Graphite

Sony

The music industry will be relieved at Sony's court victory over pop star George Michael. Defeat could have led other grumpy pop stars to break their contracts. The rot could even have spread to other industries based on intellectual property such as book publishing or film production. Even so, Sony's victory is something of a hollow one. The Japanese electronics giant will not be able to force George Michael to produce a stream of smash hits between now and 2003. Sony's hard line may even deter other artists from signing up with its music arm.

It is, of course, easy to understand how Sony got into a no-win situation. When music companies promote a particular album, they are marketing not just the particular songs but the artist. So it is natural to try to recoup their investment over a series of albums by signing long-term contracts. A similar phenomenon is increasingly apparent in the book world where some novelists receive multi-million dollar contracts for committing themselves to write a series of pot boilers for a single publisher. But the George Michael case shows that such contracts on their own contain little value. The lesson for all companies dealing in intellectual property is that a legally solid contract is a poor substitute for a good relationship.

Wessex Water

Even after yesterday's 3 per cent fall in its shares, Wessex remains one of the two best performing water companies since privatisation. Since it again delivered the largest dividend increase in the sector, some outperformance is not surprising. As well as having merits as a utility – operating costs on the water side have fallen two years running in real terms – the joint venture with Waste Management International appears to be delivering the promised growth. Earnings per share rose fractionally even after adjusting for the rights issue made 18 months ago to fund diversification.

Wessex will have to drive the waste side hard if it is to avoid diluting earnings in the years to come. By 1998 there could be 160m shares in issue, against little over 100m at privatisation. With £65m rights money still in the kitty – and more to come as other classes of capital convert into ordinary shares – Wessex and its partner do not have to rely on organic growth. Yet little more than £10m was spent on waste acquisitions last year, which underlines that attractive assets are thin on the ground.

If Wessex does manage to spend its money wisely, the stock market will have to decide how to value a combined water and waste group. Putting this year's likely waste earnings on an average market multiple makes Wessex's interest in the venture worth about £1 a share. Floating a portion of the venture would be the best way of putting such valuations to the test, as well as lifting the veil a little more on exactly where the growth is coming from.

Manweb

Manweb shows the virtues of a utility sticking to its knitting. Out of the 12 regional electricity companies, Manweb stands out as the one which has diversified the least since privatisation. It has duly been rewarded with the highest stock market rating, with its yield on a 10 per cent discount to the sector.

The most obvious reason is that Manweb has avoided the foolish acquisitions of its peers. It has not wasted money on contracting in the way that East Midlands and, to a lesser extent, Swalec have. Nor has it piled into retailing, a business to which it is hard to see recs adding much value. Nor even has it invested in generation, a move that has so far been profitable for most recs but where again it is not clear they possess any competitive advantages.

But the avoidance of foolish investments is only one reason why sticking to the knitting pays off. Even more important is that Manweb's senior management has not been distracted from improving efficiency in its core distribution business. Manweb has done more than other recs, with the possible exception of Eastern, to reduce costs.

In theory, that should leave it well placed to survive the tighter price caps due to be unveiled in August by Professor Stephen Littlechild, the industry regulator. The idea is that those which have made the biggest strides to improve efficiency will be rewarded by being allowed to keep a share of the benefits. Those that have done the least will be spurred on with a tougher challenge.

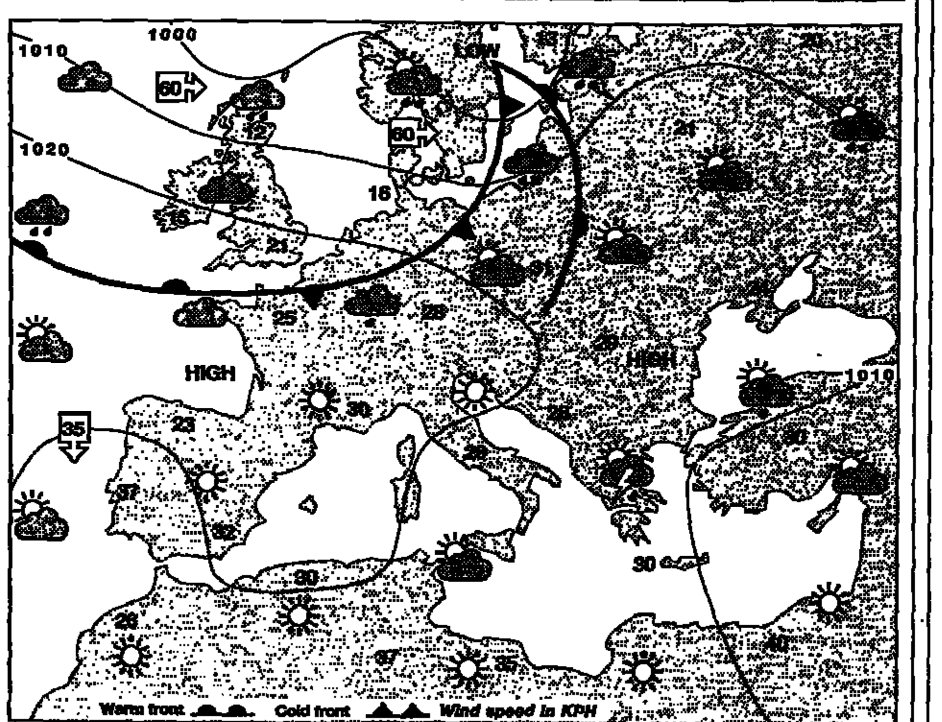
FT WEATHER GUIDE

Europe today

Active low pressure over Scandinavia will cause mainly overcast skies and prolonged rain. The British Isles will also be cloudy with rain mainly over northern and central parts. Near gale force westerly winds will limit the maximum temperature over Scotland to 13C. The Benelux, northern France and Germany will be mostly cloudy with patchy rain. Southern France and Germany, Poland and the Alps will have frequent sunny spells with temperatures reaching 25C-30C. The Iberian peninsula will have abundant sunshine with afternoon temperatures reaching 35C in the interior. Sunshine will be plentiful over Italy and southern Greece too, but highest temperatures will stay near 30C. The southern Balkans will have thunder showers.

Five-day forecast

Western and central Europe will have sunny spells as warm air gradually spreads north. During the weekend, maximum temperatures of over 25C will reach as far north as central England and southern Denmark. Thunder showers will develop over France from Saturday. The Mediterranean will be mainly sunny and warm. Scandinavia will have outbreaks of rain, especially on Thursday.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	fair	29	Caracas	cloudy	24
	Celsius		Belfast	rain	16	Cardiff	cloudy	19
Abu Dhabi	sun	42	Belgrade	sun	30	Casablanca	sun	26
Accra	fair	29	Berlin	fair	26	Chicago	fair	30
Algiers	sun	30	Bermuda	cloudy	29	Cologne	cloudy	27
Amsterdam	drzzl	20	Bogota	fair	18	Dakar	shower	30
Athens	sun	32	Bombay	shower	32	Dallas	fair	34
Atlanta	thund	33	Brussels	cloudy	25	Delhi	sun	44
B. Aires	fair	13	Budapest	sun	33	Dubai	sun	40
B.ham	cloudy	20	C.hagen	rain	20	Dublin	rain	18
Bangkok	shower	32	Cairo	sun	40	Dubrovnik	thund	29
Barcelona	sun	27	Cape Town	cloudy	16	Edinburgh	rain	17

Faro	sun	30	Madrid	sun	36	Rangoon	rain	30
Frankfurt	fair	30	Majorca	sun	30	Reykjavik	cloudy	11
Geneva	sun	28	Malta	fair	30	Rio	fair	28
Gibraltar	sun	24	Manchester	rain	17	Rome	sun	30
Glasgow	rain	15	Manila	cloudy	33	S. Frsco	fair	21
Hamburg	rain	22	Melbourne	rain	17	Seoul	shower	27
Helsinki	rain	16	Mexico City	shower	20	Singapore	cloudy	31
Hong Kong	shower	29	Miami	fair	33	Stockholm	rain	17
Honolulu	fair	31	Milan	sun	32	Strasbourg	cloudy	30
Istanbul	fair	28	Montreal	fair	25	Sydney	fair	18
Jakarta	fair	31	Moscow	cloudy	23	Tangier	sun	32
Jersey	cloudy	19	Munich	sun	30	Tel Aviv	sun	35
Karachi	fair	35	Nairobi	cloudy	25	Tokyo	fair	28
Kuwait	sun	42	Naples	sun	30	Toronto	sun	25
L. Angeles	fair	25	Nassau	shower	32	Vancouver	fair	23
Las Palmas	sun	26	New York	sun	31	Venice	sun	30
Lima	cloudy	20	Nice	sun	27	Vienna	fair	32
Lisbon	fair	34	Nicosia	sun	35	Warsaw	fair	27
London	cloudy	24	Oslo	rain	21	Washington	sun	32
Luxbourg	cloudy	26	Paris	cloudy	26	Wellington	fair	10
Lyon	fair	29	Perth	fair	17	Winnipeg	fair	27
Madeira	sun	24	Prague	fair	31	Zurich	fair	26

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday June 22 1994

IN BRIEF

PepsiCo opens plant in Prague

PepsiCo has opened a manufacturing and distribution facility in Prague, its largest to date in central and eastern Europe. Page 18

3i flotation goes ahead
3i's flotation is to go ahead today despite the weakness of the London stock market. Institutional funds have bid for £1.2bn of equity. Page 18

Microsoft takes stake in Stac
Microsoft is taking an equity stake in Stac Electronics, ending a patent conflict between the two companies which could have cost Microsoft $120m in damages. Page 19

Deutsche Bank provisions stable
Deutsche Bank will not have to increase its budget for provisions against bad and doubtful debts this year. Page 19

Mexican derivatives product planned
The Chicago Board Options Exchange plans an equity derivatives product to mirror the performance of the Mexican economy. Page 20

Russian coal exports dry up
Russian coal exports have almost dried up since a carrying charge was levied by the transport ministry, but producers' hopes of a reduction look slim. Page 26

Warning on Caspian Sea investment
Investment in the oil and gas reserves in the Caspian Sea is a risky business, according to the Russian energy minister. Page 26

Manweb posts 13% profit rise
Manweb re-affirmed its concentration on core business as it announced profits up 13 per cent rise and dividends up 16 per cent. Page 22

400 jobs go at Comet
Four hundred jobs are to go at Comet, the result of a £10m investment in new technology and a reduction in opening hours. But the moves could save up to £4m a year. Page 22

Great Southern under attack
The quiet world of undertaking is being shaken up by Service Corporation International's attempted takeover of Great Southern Group. Page 23

Filofax back in black
Filofax, the ultimate symbol of the 1980s Yuppie, has returned to profit and worldwide sales are increasing. Page 24

IWP on acquisitions trail
IWP reported a 27 per cent increase in pre-tax profits and Mr Joe Moran, group chief executive, said further acquisitions are likely to double to profits over the next five years. Page 25

Derivatives column
The Financial Times tomorrow launches a new weekly column on derivatives. The column will analyse trends and developments in this growing market by drawing on the expertise of its specialist writers. It will replace the Risk and Reward column which had appeared in Monday's edition.

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)							
Rises				Eurafrance	1920	+	105
BMW	782	+	15	Radiotechn	508	+	25
Continental	235.5	+	5.5	**Falls**			
Holzmann	870	+	20	GTM Entrepose	394	–	17
Lufthansa	173.7	+	10.7	Immobanque	675	–	19
Falls				Roussel Uclaf	550	–	20
Hertitz	358	–	11	**TOKYO (Yen)**			
Wella	875	–	35	**Rises**			
NEW YORK ($)				M'bishi Oil	1050	+	50
Falls				**Falls**			
Caterpillar	104¼	–	3½	Asahi Chem	745	–	25
General Motor	52½	–	1½	Brother Ind	745	–	24
Lotus Dev	37¼	–	14¾	Canon Sales	3300	–	120
Mascotech	14⅛	–	2⅝	Nippon Paint	683	–	20
Micron	30⅝	–	1⅜	Yasuda Fire	795	–	34
Quaker Oats	73½	–	8½				
PARIS (FFr)							
Rises							
Ecco	750	+	15				

New York prices at 12.30pm.

LONDON (Pence)							
Rises				Gresham Tele	58	–	4
Euro Disney	195	+	5	Harris (Philip)	123	–	10
NFC	187	+	6	Hazlewood Foods	122	–	21
Polar	250	+	7	IWP Intl	352	–	16
Sterling Inds	243	+	12	Lasmo Hldgs	403	–	21
Tomkins	144	+	7	MFI Furniture	140	–	6
Trafalgar House	89½	+	3½	Quality Care	290	–	23
Whatley (G)	166	+	5	Rentokil	199½	–	7½
Falls				Silentnight	218	–	24
Barclays	531½	–	14½	Total Systems	22	–	8
Bowater	435	–	15				
Eurotherm	369	–	28				
Sesson (MJ)	900	–	33				

Renault may start sell-off this year

By John Ridding in Paris

The French government is considering a partial privatisation of Renault, the state-owned automobile group, by the end of this year, according to Mr Philippe Auberger, a senior member of the National Assembly's finance committee.

Mr Auberger's comments yesterday follow speculation in business circles that the government will seek to implement a progressive or partial privatisation of the automobile company, following the collapse of merger plans with Volvo of Sweden at the end of last year.

During the negotiations with Volvo, the French government had said it aimed to sell its controlling stake in Renault this year. But the failure of the merger, the political sensitivity involved in privatising one of the flagship companies of the French public sector, and the possibility of trade union opposition prompted a delay in the privatisation timetable. Officials have since indicated that a sale of the government's 80 per cent stake in the automobile group is unlikely before next spring's presidential elections.

According to Mr Auberger, the idea of a partial privatisation is being studied by the office of Mr Edouard Balladur, the prime minister, and by Mr Gérard Longuet, the industry minister, who has pushed for the company's privatisation. Mr Louis Schweitzer, Renault's chairman, is also eager for the company to be transferred to the private sector.

Mr Auberger said that no decision had been taken and the operation, if implemented, would be unlikely before October or November. He hinted that it could take the form of a sale of shares to industrial or financial partners rather than through a public offer for sale.

Government officials declined to discuss the mechanisms of a partial privatisation. But industry observers in Paris suggested that it could involve the sale of between 15 and 25 per cent of Renault's shares and the formation of a so-called "noyau dur" – a core of long-term shareholders. This could include Lagardère Group, which co-operates with Renault on the design and production of its Espace vehicles, and Elf-Aquitaine, the oil group.

A partial privatisation would bring several advantages for the government. It would confirm its commitment to privatise the automobile group, one of the 21 companies slated for sale by the centre-right government of Mr Balladur. It could also facilitate the reduction of the Volvo's 20 per cent holding in the company.

Philip Morris promises to alter management style

By Richard Tomkins in New York

The new bosses of Philip Morris, the US food and tobacco group, yesterday promised a sharp change in management style in an effort to restore the company's flagging share price.

Mr William Murray, who took over from Mr Michael Miles as chairman at the weekend, said: "I want to say categorically that we are not committed to doing things in the way they were done in the past. I want to emphasise that point."

Mr Murray and Mr Geoffrey Bible, who took over Mr Miles's role as chief executive, were speaking to reporters in New York just three days after their promotion to the top two jobs at Philip Morris following Mr Miles's sudden resignation.

Their decision to speak to the media so soon after taking office appeared to signal the start of a more open style of management. Their predecessor almost never gave press interviews and rarely spoke to stock market analysts.

Mr Murray said their overriding priority would be to produce rates of earnings growth that compared "very favourably" with the rest of corporate America. All the group's businesses were performing well, and the domestic and international tobacco businesses "had never been stronger", he said. Options for improving shareholder value could include a bigger share buy-back programme, higher dividends, acquisitions or debt reduction.

Mr Murray confirmed that an earlier plan to demerge the tobacco businesses – seen by some as having brought about Mr Miles's demise – was off the table. Mr Murray Green, Philip Morris's general counsel, said a demerger had been abandoned because of the danger that it would be challenged in the courts as a fraudulent conveyance by those seeking damages over smoking-related diseases.

Mr Bible sought to play down legal and political challenges. "You must remember that we have never lost a case," he said. He described attacks on the industry in Congress as the rhetoric of "a handful of anti-tobacco legislators". The signs were that the federal excise tax on cigarettes would not be increased at anything like the "outrageously high" levels first proposed.

Italian market: fall before the flood

Source: FT Graphite

Largest forthcoming share issues

Company	Type of issue	Offer timetable	Size (Lire bn)
Ina (insurance)	Shares (privatisation)	Opens June 27	4,500-5,500
Cariplo (banking)	Shares (flotation)	Opens July 11	1,200-1,650
Mediobanca (banking)	Shares & warrants	Postponed	1,500*
Pirelli (tyres, cables)	Convertible bonds	Closes July 15	1,000
Mondadori (publishing)	Shares	Already closed	990
[illegible] (industrial holding)	Shares and/or convertible bonds	Closes July 15	892

* First tranche

Nervous Milan fears glut of issues

Mediobanca, the powerful Milan merchant bank, postponed its L1,500bn ($935m) rights issue on Monday following the decline in its share price. But there are still more than L10,000bn of bond and share issues competing for investors' attention in Milan over the next six weeks, creating the risk of a glut in an already nervous market.

Advisers preparing for the L4,500bn-L5,500bn privatisation of Ina, the state-owned insurer, next week, hope that its special characteristics will stimulate public enthusiasm. Analysts believe Italian equities could still outperform, but much depends on how the new Italian government can reassure investors who are beginning to question its commitment to a strict economic policy.

Share flood dampens Milan's enthusiasm, Page 18

Colonia seeks international ally for Cologne Re

By David Waller in Frankfurt and Alice Rawsthorn in Paris

Colonia, Germany's third biggest insurance group, confirmed yesterday that it was holding talks which could lead to an international strategic alliance for Cologne Re, its reinsurance subsidiary.

Mr Claas Kleyboldt, Colonia's chief executive, said that the talks were taking place with a number of companies but as yet there were was no preferred partner for the match. He was speaking in Cologne as Colonia – now a subsidiary of the French Union des Assurances de Paris (UAP) – reported pre-tax profits up by nearly a quarter for 1993.

He stressed that under no circumstances would Colonia sell its 75 per cent direct and indirect holding in Cologne Re or contemplate a full-scale merger with another party. The only requirement was for a partner which pursued a similar strategy to that of the German company, Kleyboldt said.

He refused to comment on reports that the company, the fourth largest reinsurance group in the world with gross income of DM4.5bn ($2.8bn) in 1992, would forge links with either General Corp Re or Employers Reinsurance Corp, two US reinsurance companies believed to be looking independently for European partners.

Although the talks are apparently at an early stage, they highlight the move towards co-operation and consolidation in the global reinsurance industry.

UAP confirmed that in principle it would not be opposed to Cologne Re forming a strategic alliance with an international partner in the reinsurance field.

The prospect of a US alliance would be novel for UAP which, until its privatisation this spring, was a state-controlled company and banned from investing in the US.

Colonia figures, Page 18

Profits warning hits Lotus shares

By Richard Waters in New York

Shares in Lotus Development plunged more than a quarter in New York yesterday following the US software maker's gloomy sales and profits projections.

Disenchantment with Lotus has been growing in the investment community, prompted by slowing sales of applications software products, which account for 70 per cent of revenues. By midday the shares were trading at $37¼ down $14¾. This capitalised the shares at less than half the level reached at their peak in mid-March, when Lotus was valued at $3.9bn.

The company maintained its long-term prospects were unaffected by the profits warning issued on Monday, and blamed the share price fall on its failure to meet market expectations for one quarter.

Mr Robert Schechter, senior vice president for international business, said: "Over the long run, we feel very confident." He said that the company's fast-growing communications software products, already 30 per cent of sales, continued to grow "at or ahead of expectations".

The Massachusetts-based company had warned that second-quarter sales would be $230-$240m, similar to the previous year, and that earnings per share would be 20-25 cents. Most analysts had been expecting close to 50 cents. It revised its earnings projection for the year to $1.80-$2.00, down from its earlier forecast of $2.00-$2.15.

The company said the sales fall-off was due to delays in the release of a number of upgrades to its biggest applications software products, including 1-2-3, a spreadsheet package, and Approach, a database product.

Mr Schechter said that sales expected for the second quarter would come in the third quarter instead. He added that sales generally were influenced by economic weakness in Japan, France and Germany, which number among Lotus's biggest markets, but that the company expected demand for software products to continue to grow at 5-10 per cent over the longer term.

Lotus's shares are now back to the level prevailing at the end of last summer. Their rise was based on optimism over the company's communications software, one field where it is regarded as ahead of arch-rival Microsoft.

World Stock Markets, Back Page

Barry Riley

Pensions point to clash in capital market styles

Last week's formal abandonment of the moribund draft EU directive on cross-border pension fund investment emphasises the continuing gulf between the capital market styles of the UK and most of the rest of the EU. The single market in investment and financial services seems as far away as ever.

The directive was the less ambitious of a pair introduced two years ago to open up pension schemes. The first, aimed at facilitating cross-border membership, collapsed because it challenged the tax sovereignty of EU states. Northern countries feared they would hand out tax relief on lifetime earnings only for the workers to disappear to the Costa del Sol, where a grateful but undeserving Spain would gather income tax on the pensions.

The second directive aimed to harmonise investment rules and open the way for investment management firms to compete throughout the EU. But few member states have been willing to relax their grip on institutional investment strategies when captive domestic investors are urgently needed to help absorb EU governments' borrowing, recently running at an annual rate of $400bn. Hence the "prudential" rules which require heavy investment in bonds and domestic currency assets.

Germany and France, holders of the next two EU presidencies, have no interest in opening up the scope for international funding of pensions. They are strongholds of unfunded schemes, with German companies generally retaining their liabilities on their balance sheets and France relying on pay-as-you-go systems (although these are increasingly threatened with insolvency).

German companies are regaining their nerve as the economy begins to recover after what was, in the event, not all that deep a recession. There have been shocks, such as last year's decision by Daimler-Benz to adopt US accounting principles and seek a New York listing, and the crisis at Metallgesellschaft. On the other hand, BMW has absorbed Rover and Jungheinrich has grabbed control of the forklift truck businesses of the collapsed British group Lancer Boss.

The stream of flotations and dividends promotes a dynamic recycling of wealth

German executives are quick to criticise the short-termism of British companies, with high dividend payments – also criticised by Mr Stephen Dorrell, the British Treasury minister investigating savings and investment flows – low fixed investment and short payback horizons. But these high dividends are the other side of the coin of the enviably strong British occupational pension schemes, which own more than 30 per cent of the shares of British companies.

Continental observers also find it hard to understand the success of the London Stock Exchange in attracting new company listings at a recent rate of more than 200 a year. New listings on continental bourses are tiny by comparison; for cultural and tax reasons most continental businesses prefer to stay (very) private. But executives at the London exchange are wondering whether it might be possible to market the attractions of a UK flotation more widely on the continent.

Is this just another aspect of British short-termism? In the late 1980s the City's financial vultures made money through corporate raids and takeovers. Now they are luring quite small and often young companies to early flotation through a get-rich-quick promise. The obsession, continentals feel, is with "exit" rather than long-term commitment.

On the other hand, the stream of flotations and dividends also promotes a dynamic recycling of wealth. Money piles up less readily in big, dull businesses, but is diverted through contributions and dividends into their own and other companies' pension schemes. Growth is achieved through the development of smaller, focused companies rather than the sideways expansion of big, rambling groups.

The British government's reluctance to promote the UK's capital market style is disappointing and puzzling; indeed, there has recently appeared to be a hankering after the German approach. The failure to open up a Europe-wide investment market is also very damaging to British interests. No wonder the British business community is becoming disillusioned with continental Europe. The UK is a global centre of excellence for portfolio management, but more business is to be had in the US than in the remainder of the EU.

Colonia upbeat as profits rise to DM308m for year

By David Waller in Frankfurt

Colonia, Germany's third largest insurance group, yesterday reported a sharp increase in pre-tax profits for last year and predicted that earnings in the current year would again be satisfactory.

Mr Claas Kleyboldt, chairman of the German insurer, which is a subsidiary of UAP, the largest insurance group in France, said the group had improved pre-tax profits to DM308.9m ($189.5m) up from DM248m in the previous year. Earnings per share climbed to DM55 from DM37.50.

The improvement reflected a combination of reduced claims and increased premium income, a trend which had continued in the current year to date, Mr Kleyboldt said.

In 1993, the gross premium for what is to be known as the CKAG group rose by 11.4 per cent to DM13.6bn, while the ratio of money paid to settle insurance claims to premium income in mainstream insurance business fell by 2.3 percentage points.

In the life insurance sector, payments to policyholders increased by 9.3 per cent compared with an 11 per cent rise in premium income.

In the first four months of the year, premium income at the group's two non-life insurers – Colonia Versicherung and Nordstern Allgemeine Versicherungs – increased by 9.6 and 7.9 per cent respectively, while claims expenditure decreased. Premium income at Colonia Lebensversicherung and Nordstern Lebensversicherung, the two life subsidiaries, rose by 8.7 and 13.3 per cent respectively.

Income from investments rose 37.1 per cent to DM128.3m. The group is rationalising its domestic operations to make Colonia a more efficient competitor to Allianz, the biggest insurer in Europe, and Aachener und Münchener Beteiligungen, the second biggest German insurer.

PepsiCo opens plant in Prague

By Vincent Boland in Prague

PepsiCo, the US soft drinks company under pressure along with its rival, Coca-Cola, from own-brand colas in western markets, yesterday launched its latest thrust into post-communist eastern Europe when it opened a manufacturing and distribution facility in Prague, its largest to date in central and eastern Europe.

The plant, located in a building originally designed as a munitions factory, is the result of an $85m investment in the Czech Republic, and is expected to produce up to 150m litres of Pepsi products a year. PepsiCo has also opened seven sales and distribution centres around the country.

Mr Wayne Mailloux, president and chief executive of Pepsi-Cola European Beverages, said the company expected sales of Pepsi products in the Czech Republic to rise to $100m annually by the end of the decade.

Sales in the past year had grown four-fold and should double in two years, Mr Mailloux said, though he declined to give figures.

PepsiCo estimates that the Czech Republic has the highest soft drinks consumption rate of any country in central and eastern Europe. Per capita consumption is low, however. Czechs drink an average 220 8oz servings a year, compared with 770 in the US. The company also claimed that sales of Pepsi now equal those of its fierce rival, Coca-Cola, in Prague.

Mr David Jones, president of Pepsi-Cola International's eastern Europe and central Asia division, said Pepsi and Coca-Cola between them account for just 40 per cent of the soft drinks market in the Czech Republic, compared with 90 per cent in the United States. "There is plenty of room for everybody to compete," he said. "There are enormous opportunities for soft drink companies."

Swiss energy group steady

By Ian Rodger in Zurich

Electrowatt, the Swiss electric power generation and engineering group, has reported unchanged net income in the six months to March 31, of SFr94m ($72.3m), on sales up 6 per cent to SFr2.47bn.

Mr Oskar Ronner, president, said that a mild winter and weak economic conditions had hurt sales and profit growth. However, he forecast that last year's record net profit of SFr176m "should be almost equalled".

Christiania in NKr575m offer for mortgage group

By Karen Fossli in Oslo

Christiania Bank, Norway's second largest bank, yesterday unveiled its offer to acquire Vestenfjeldske Bykreditt, a domestic mortgage institution, which values the company NKr255m ($36.69m) higher than its market level on June 9, the last day its shares were traded on the Oslo bourse.

Christiania has offered NKr575m for Vestenfjeldske, or NKr195 a preference share and NKr85 an ordinary share. Only the preference shares are listed on the Oslo bourse. They last traded at NKr133.

The Bergen-based mortgage institution has assets of NKr7.4bn. "The bid reflects the view of Christiania's board that Vestenfjeldske's range of products complements Christiania Bank's loan products in strategic terms and that the market for fixed rate interest loans secured by mortgages on real estate will continue to be attractive in the coming years," the bank said.

Share flood dampens Milan's enthusiasm

Mediobanca's rights withdrawal was response to strains at the bourse, says Andrew Hill

Mediobanca is the merchant bank at the centre of many of the industrial and financial deals which feed the Milan stock market. So it was perhaps appropriate that its L1,500bn ($948m) planned rights issue should be the first to be sacrificed to Monday's 4 per cent decline in Italian equity prices.

Late on Monday night, the bank announced it was postponing the operation, after its shares fell by 5 per cent in a day, dropping to below the floor-price it had set for the issue.

It was a cruel blow for a bank which prides itself on its Italian market expertise. Indeed, Mediobanca had itself provided support and advice for a number of the dozen or so share or bond issues which have been launched or are due to be launched on to the Milan market in June and July.

The decision probably marks at least a temporary halt to Italian companies' unseemly rush for stockmarket funding which has characterised a buoyant Milan market since Mr Silvio Berlusconi's election victory. But the bank's withdrawal still leaves more than L10,000bn of share and convertible bond issues, from companies as diverse as Finanza & Futuro, Mr Carlo De Benedetti's financial services operation, and Pirelli, the tyres and cables group, fighting for investors' attention.

Taking into account forthcoming privatisations, Actinvest, a small investment firm based in London and Milan, estimates the amount required of the market over the next six months at about L25,000bn.

For Mr Fabio Basagni, Actinvest's head, the follow-my-leader attitude of many Italian companies to capital-raising "tells you a lot about the immaturity of the Italian financial institutions: they create bottlenecks any time the market performs well".

Significantly, Monday also marked the moment when the Milan equity indices slipped back below the level at which they stood before the March general election.

So what now happens to the small wave of paper about to break over a weakened market, in particular the imminent privatisation of Ina, the state-owned insurer, which is to be priced this weekend and launched on Monday?

Analysts caution against too much pessimism, although they admit the overhanging weight of rights and bond issues was one factor in the correction, and may affect the market for some weeks to come. However, Mr Enrico Ponzone of Kleinwort Benson believes that the rally of the past two months was based on strong fundamentals, in particular the likely decline in interest rates, and that the Italian market will continue to outperform its European counterparts. Yesterday morning, as if to underline the point, equities bounced back more strongly in Milan than in other European bourses.

Moreover, most of the companies seeking to raise capital are not in immediate need of funding, but are taking advantage of the opportunity offered by a rising market. Mediobanca, for example, intends to use the funds to continue its programme of investments, perhaps with a particular eye on the privatisation of Stet, the telecoms holding company. But that sell-off will not happen before the autumn, giving plenty of time for the bank to return to the market.

What is more, there is clearly still a buyer, as the market cliché goes, for the right product at the right price. Only last Friday, for example, Mediobanca announced that the L990bn issue of shares in Mondadori, the publishing company belonging to Mr Berlusconi, was four times over-subscribed only a day after the offer opened.

As for Ina, the mood among advisers was calm yesterday. Although the L4,500bn-L5,500bn sale is the largest of the issues planned in the next six weeks, its special characteristics should make it impervious to all but the worst type of market collapse.

A priority tranche of shares intended for policyholders is already attracting strong interest, and bank branches up and down the country are fielding regular inquiries from the public. According to analysts, the most important factor is that even if Ina shares are sold at the higher end of the promised price-range, they still look like a cheap alternative to Italy's quoted insurers like Generali and Ras.

But such bullishness, and yesterday's small recovery in Milan equity prices has not quite eradicated the sense of unease in the market about what really triggered for the last week's 10 per cent fall: that is, new doubts about the way in which the new right-wing government is handling the economy.

The real hope of many investors lies in the fact that this is the first Italian government for many decades which cannot afford to alienate the bond and equity markets.

Under the circumstances, however, Mediobanca's unprecedented decision to suspend its rights issue seems not only a logical decision by a market expert, but a strong signal to Mr Berlusconi to stop dithering.

3i flotation to go ahead today

By John Gapper, Banking Editor

The flotation of £700m of equity in 3i, the largest European investor in unquoted companies, is to go ahead today despite the weakness of the London stock market, driven by strong interest from institutional investors.

Institutional funds have bid for £1.2bn of equity, more than twice their £540m allocation. The bids were based on the offer price to be announced today by 3i, which is jointly owned by seven banks and the Bank of England.

The company will announce that it is floating 45 per cent of equity rather than the 40 per cent first envisaged. Shares will be priced at a discount of slightly more than 13 per cent to their net asset value, or about 275p per share.

The weakness of the market since 3i announced its intention to float in February led to speculation that it might have to postpone. Yesterday's fall led to the postponement of an issue by EuroDollar, the car hire group, and other companies cancelling flotation plans.

Advisers, however, have found strong demand for 3i shares in an informal "book-building" exercise over the past few weeks. Large funds were asked to submit informal "bids" for equity at various prices, although these bids are not binding.

Some 385,000 retail investors had registered for details of the share pricing by the deadline of Monday. This is thought to be the largest expression of interest by individuals in a flotation, excepting government privatisations.

One reason for institutional interest in 3i shares is that 3i may enter the FT-SE 100 index later this year. This means that it would become a core stock for funds which want to hold a balanced weighting of the largest UK companies.

The 3i flotation, however, also offers investors a chance to hold an indirect stake in a range of small and medium-sized unquoted companies. The company currently holds about 3,500 investments, and invests some £400m annually.

The level of institutional interest has encouraged 3i and its advisers to select a relatively modest discount to its net assets compared with other UK-listed investment trusts, such as Electra, which is trading at a 17 per cent discount.

But 3i is likely to argue that the price is fair because its holdings are weighted towards higher-return investments in small unquoted firms. It also believes that its regional branch network reduces the risk of its investments.

If retail investors fail to take up the full 25 per cent of the offering, the company will allocate more shares to large funds. Failing that, they will be taken by Baring Brothers, the merchant bank which is underwriting the issue.

Thorn EMI rewards head of music unit

By Christopher Price in London

Mr Jim Fifield, who heads Thorn EMI's music business, has trebled his salary package to about £13.5m ($22.5m) – a figure more than 23 times higher than the sum paid to the company's chairman, Sir Colin Southgate.

The package includes his £2.105m basic salary and a £5.046m performance-related bonus, of which £1.5m is in ordinary shares. This was partly an annual bonus awarded by the Thorn EMI board for achieving internal group targets, and partly from the music division's long-term incentive scheme. Thorn EMI is a leading UK leisure to electronics group.

In addition, Mr Fifield received 619,592 ordinary shares free of charge as compensation for changes to his terms of contract, although the company did not clarify what the changes, if any, had been. At Thorn's financial year-end, the share price stood at 1,063p, but even at yesterday's closing price of 1,034p, Mr Fifield's bonus shares were worth £6.4m. However, under the terms of his remuneration agreement, the shares cannot be sold until March 31 1998.

Mr Fifield's remuneration is revealed in the latest report and accounts. Sir Colin's package includes a salary of £474,347 and a £110,630 bonus, which he took in shares. In the previous year, he received a total of £702,759.

Thorn's profits grew from £273.5m to £326.5m last year, with the music division increasing from £196.9m to £246.1m. Thorn also announced it was renaming its rental business Thorn Group, separating it clearly from EMI Music.

Deutsche Bank maintains provisions below budget

By David Waller in Frankfurt

Deutsche Bank's budget for provisioning requirements against bad and doubtful debts will not have to be increased this year, according to chairman Mr Hilmar Kopper. He stressed that provision for problem cases such as Jürgen Schneider, the collapsed property company, and Balsam, the sport-floorings manufacturer, had come in under budget, as of the end of May.

Mr Kopper said this was in spite of having to set aside DM500m ($314.5m) for the Schneider case, 40 per cent of the bank's total DM1.2bn exposure to the property group.

He said he hoped to maintain the provisions at below budget throughout the rest of the year.

Mr Kopper said the bank – the biggest credit institution in Germany – was still "well ahead" on its own-account securities trading activities this year. This was in spite of the need for increased write-offs because of poor conditions in the bund market this year.

Hilmar Kopper: bank has set aside DM500m for Schneider

Mr Kopper refused to give any more details pending publication of the bank's half-year figures.

In May, he told shareholders at the bank's annual meeting in Düsseldorf that provisions would fall during 1994, from the DM3.3bn set aside last year, in spite of Schneider. The fall would reflect the German economic recovery.

The provision charge last year was more than doubled, from DM1.4bn in 1992.

Mr Kopper said the bank's total operating profits were down by more than 10 per cent in the first four months of the year, and he cautioned that the record profits made by the bank in 1993 would not be matched in the current year.

He pointed to pressure on the interest margin on mainstream lending business, and poor market conditions for own-account trading activities.

Goodyear spells out five-year strategy

By Richard Waters in New York

Goodyear chairman Mr Stanley Gault has spelt out a new five-year plan for the US tyre company, including a dividend policy allowing a payout of between one-fifth and one-quarter of the previous year's earnings.

Mr Gault, who recently agreed to stay with the company until the end of 1995 rather than retire at the end of this year, has overseen a strong recovery since joining Goodyear three years ago.

Goodyear has lifted its dividend from 5 cents a quarter in 1991 to 15 cents now, after a share split last year. At the current level, it will pay out $120m in dividends this year – close to a third of last year's net income of $388m, and ahead of the new dividend rate.

With the US automotive industry performing strongly, Goodyear's after-tax earnings are widely expected to rise to between $560m and $570m this year.

Targets set this week include a reduction in the company's gearing from 40 per cent to between 25 and 30 per cent by the end of 1998. Goodyear's debt has already come down to $1.4bn, from $3.7bn in 1991.

Sales are expected to grow at between 4.5 and 5 per cent a year until the end of 1998, twice the projected rate of growth in the tyre industry as a whole, Mr Gault said.

Microsoft and Stac settle dispute

By Alan Cane

Microsoft, the world's largest personal computer software company, is taking an equity stake in Stac Electronics, a small Californian software house. The purchase is part of an agreement designed to put an end to a conflict between the two companies which had become deeply embarrassing for Microsoft.

In February, a jury decided that a key Microsoft software product infringed two Stac patents and ordered the company to pay $120m in damages.

The patents concern a technique for compressing computer data, so that double the amount of information can be stored on a computer's hard disk.

This month, a US federal judge ordered Microsoft to recall versions of the offending software – its flagship operating system MS-Dos – of which close to 100m copies have been sold.

Under yesterday's agreement, Microsoft and Stac will cross-license all their existing disk compression patents, as well as any other compression patents either of them receives over the next five years.

The agreement calls for Microsoft to pay Stac royalties of $1m a month over 43 months.

It will also buy $39.9m of 4 per cent non-voting convertible preferred stock maturing in 2004. Converted into common stock, Microsoft would own 15 per cent of Stac.

Mr Gary Clow, Stac chairman, said the agreement put an end to legal fees, created a royalty stream, put money in the bank and ushered in a new era of co-operation between the companies.

Microsoft will no longer have to pay Stac the $120m awarded in February, while Stac will not have to pay Microsoft $13.8m awarded for misappropriation of trade secrets.

Both companies pointed out yesterday that they believed the deal was in the best interests of their customers and shareholders.

Dealers, personal computer manufacturers and customers would be able to continue to use Microsoft products containing Stac technology without fear of legal repercussions.

US backs Russian project to link equity clearing centres

A US-funded project for Russian equities will soon link clearing centres in Moscow and St Petersburg. The link-up may be followed by the creation of a Nasdaq-style trading system, banking sources said, Reuter reports from Moscow.

Chase Manhattan Bank of the US is acting as an adviser to the project, undertaken by consultants Deloitte and Touche for Russia's privatisation committee, said the bankers.

The US computer company SunGard Data Systems is providing the software for the project, which is funded by USAID (the US Agency for International Development).

Under the plan, two clearing centres for share trading have been set up in Moscow and Yekaterinburg. A third is being considered for Novosibirsk.

The Moscow centre is already in operation, with about 10 Russian banks and brokerages as members. Settlement, so far on a manual basis, is trading day plus five days.

The Moscow clearing centre is handling settlements in the shares of newly-privatised Russian enterprises, ranging from the big Kosmos Hotel to the Krasny Oktyabr sweet factory.

It will be computerised by September.

Separately, the consultants KPMG Peat Marwick are involved in the creation of another share-clearing centre in St Petersburg, which bankers say will be linked to Moscow electronically by December.

"Eventually, all these regional clearing centres will be linked to each other," one banker said.

This will be followed by the creation of a US Nasdaq-style share-trading system in Russia, banking sources added.

"The intention at the end of the day is to develop share trading in Russia on an inter-regional basis," a consultant with Deloitte said.

Eli Lilly details plan for non-core sell-off

By Richard Waters

Eli Lilly has given details of plans to shed its non-pharmaceuticals businesses, including an initial public offering later this year for a new medical devices company with sales of $800m.

In January, the US drugs company indicated it planned to group six of its devices businesses into a single company for sale.

Under the plan announced yesterday, one of these six businesses, Ivac, would be sold separately.

Lilly said this was because the company operated in a different market to the others, and would benefit more from being bought by another company.

It said it was in talks for the sale of the business, but refused to name a potential buyer.

The remaining five businesses, all of which operate in the area of cardiovascular or minimally invasive systems, will be floated in the fourth quarter of this year, Lilly said.

The aim is to sell 20 per cent of the shares in this new company, to be known as Guidant, with the remaining shares being distributed to Lilly shareholders within the following six months.

This would either be done by issuing shares in the new company to existing Lilly shareholders, or allowing Lilly shareholders to exchange some of their shares for shares in the new company.

US video games group in acquisition

Acclaim Entertainment, the US video games group, has agreed in principle to buy a minority equity stake in Digital Pictures, based in California, Reuter reports from New York. Financial details were not disclosed.

Digital Pictures is the creator of Sewer Shark and Ground Zero Texas, the industry's two best-selling Sega Enterprises compact disc titles.

Acclaim said its investment in privately held Digital Pictures will be used for future projects. It said the move makes Acclaim Digital Pictures' second investor, following Times Mirror which recently purchased a minority equity position and agreed to finance several joint ventures.

Poland targeted for satellite TV venture

By Raymond Snoddy

A new selection of subscription satellite television channels is to be established in Poland by autumn, through a joint venture which includes Mr Rupert Murdoch's News Corporation.

The new company, MultiChoice Poland, which will supply the channels, is a joint venture between News Datacom, a News Corporation subsidiary, and Nethold, the parent company of European pay-TV operator FilmNet.

Poland has been targeted because it is already the third largest satellite television market in Europe, after the UK and Germany.

There are an estimated 1.5m satellite dish owners in Poland and 1m cable television households. This will be the first time a package of subscription channels will be legally available in Poland.

Nethold has already set up MultiChoice subsidiaries or offices in several European countries, including the Benelux and Nordic regions, Hungary, the Czech Republic and Slovenia.

Channels already using the News Datacom subscription technology, VideoCrypt II, include FilmNet's Complete Movie Channel; The Discovery Channel, which concentrates on factual programmes; The Children's Channel; Country Music Television Europe; the Adult Channel; and QVC, the shopping channel.

Former IBM man appointed Kodak treasurer

Eastman Kodak, the US photographic products group, has appointed Mr Jesse Greene, former assistant treasurer at International Business Machines, as treasurer, Reuter reports from New York.

The company said Mr Greene would report to Mr Harry Kavetas, senior vice-president and chief financial officer of Kodak.

Mr Greene joined IBM in 1971 as an engineer and held several management positions before becoming assistant treasurer. He also held positions at IBM Credit.

NEWS DIGEST

News Corp ratings seen as 'positive'

By Nikki Tait in Sydney

Moody's, the US credit rating agency, yesterday described as "positive" the outlook for the debt ratings of News Corporation, Mr Rupert Murdoch's Australian-based media group.

Moody's said that this assessment was based on an "expectation that the company's debt protection measurements will continue to improve as cash-flow increases".

However, the agency warned that "further rating improvements could be tempered by aggressive investment strategies".

The agency has the group's senior debt on a Ba1 rating, and last upgraded this ranking in October 1993.

Wine producer acquires brands

Mildura Blass, one of the growing number of quoted wine producers in Australia, is acquiring the Black Opal and related wine brands from Mr Mark Cashmore.

The Adelaide-based company has made and marketed the brands since 1990, under a five-year licensing agreement, and they now account for 13 per cent of Mildura's total sales volume.

The wines have sold particularly strongly in the US, allowing Mildura to corner a one-fifth market share of total Australian wine sales there. Mildura is Australia's fourth largest wine producer.

Gantry increases stake in target

Gantry, the corporate vehicle through which an investment partnership owned by Enron of the US and the California Public Employees Retirement System is making an A$356.7m (US$263.2m) bid for Bridge Oil, is thought to have increased its stake in its target to around 4 per cent. The Gantry bid, of 85 cents a share, now tops a rival offer of 80 cents a share, from Texas-based Parker & Parsley.

Dominion move

Dominion Mining, on the receiving end of an unwanted A$180m (US$133m) bid from the smaller Gold Mines of Australia, has begun legal action against its suitor. Dominion said the Federal Court action centred on the formal offer documents sent out by GMA on June 9.

Isuzu omits payout as sales suffer

By Michiyo Nakamoto in Tokyo

Isuzu, the Japanese truck and bus maker, yesterday announced a Y6.3bn ($61.8m) pre-tax loss at the parent level for the half-year ended April. It passed its interim dividend.

The loss compares with a deficit of Y8.4bn in the same six-month period a year ago, and was made on sales 6 per cent lower at Y541.5bn.

Isuzu, which is 37 per cent owned by General Motors, the biggest US carmaker, blamed the disappointing performance on weak markets and the strength of the yen.

Domestic sales, battered by the slump in the Japanese market, fell 6.4 per cent. Overseas sales plunged 25 per cent, largely as a result of weak demand and the decision by Isuzu to terminate passenger car production outside Japan. Total unit sales declined as a result, by 19.5 per cent.

Isuzu has been cutting costs through increased procurement overseas, improved productivity and restructuring.

On the brighter side, sales of components for overseas production rose during the period.

CBOE to trade options on Mexican companies index

By Laurie Morse in Chicago

The Chicago Board Options Exchange plans to create an equity derivatives product to mirror the performance of the Mexican economy.

It is to trade options on an index of 10 Mexican companies. Pending regulatory approval, the launch date is set for later this summer.

The CBOE already offers options on the American depositary receipts of nine of the 10 stocks in the index. All of the shares trade as ADRs or American depositary shares on the New York Stock Exchange.

Mr Alger Chapman, CBOE chairman, said: "No proxy for the performance of the Mexican economy is currently available in the US derivative markets, and options on the index will provide investors with a low-cost means to participate in the performance of Mexico or to hedge against the risk of investing in the economy."

After a strong performance late last year following US approval of the North American Free Trade Agreement, Mexican share values have fallen back this year.

However, recent US trade figures show that foreign investment in Mexico is growing, theoretically creating a positive environment for the CBOE's options.

The CBOE has been in the forefront in attracting derivatives business on Latin American ADRs. The exchange launched options on the ADRs of Telefonos de Mexico, the telephone company, in 1991. They have since become the most actively traded equity options in the US.

The 10 companies in the Mexico index are truck maker Dina; three construction concerns; Telefonos de Mexico; media company Grupo Televisa; Coca-Cola's Mexican division; the cigarette company Empresas La Moderna; banking company Grupo Financiero Serfin, and shipbuilder Transportacion Maritima Mexicana.

Hoyts plans to spin off its cinema operations

Hoyts Group, the Australia-based cinema and radio-station operator, plans to raise up to A$400m (US$296m) by spinning off its cinema operations in Australia, New Zealand and the US, AP-DJ reports from Sydney.

Hoyts operates 112 cinemas with a total of 707 screens in the three countries. It has been controlled by the Fink family since 1985.

Shares in the new company – to be called Hoyts Cinemas – will be sold through an initial public offering to investors in Australia and elsewhere. However, Hoyts Cinemas will only be listed on the Australian Stock Exchange.

The company expects the offering to be completed before the end of this year "if all runs smoothly".

The Fink family will buy a "small minority" stake in Hoyts Cinemas through the IPO.

In the US, Hoyts operates 79 cinemas, most of them in the suburbs of several north-eastern cities. It plans to expand in this region by adding 158 screens over five years. The company said there were also also significant opportunities in Mexico.

Hoyts Cinemas plans to add a further 100 screens to its Australian operations as part of its expansion strategy.

The Fink family formerly controlled a large radio, cinema and advertising group with two listed companies, Hoyts Media and Hoyts Entertainment.

However, a growing debt burden, shrinking revenues and a sharp fall in the value of its radio licenses during the late 1980s forced the family to restructure its operations, selling its radio stations to the listed Village Roadshow.

The outdoor and cinema advertising activities, under Hoyts Entertainment, were restructured and renamed Television & Media Services. They continue to trade on the Australian Stock Exchange.

The Fink family wants to use the majority of funds raised through the planned IPO of Hoyts Cinemas to repay bank debt.

Macquarie updates plans for float

By Nikki Tait in Sydney

Macquarie Bank, the Sydney-based investment bank, expects to circulate flotation plans among shareholders in "the early part of next year", allowing them to decide whether the bank should become a listed company.

Macquarie is owned by more than 40 institutions, with Hill Samuel Bank of the UK holding the largest single stake, at 14.4 per cent. Management and staff also own a sizeable minority interest.

The update on the flotation possibility was provided yesterday by Mr David Clarke, chairman, as he unveiled profits of A$73.9m (US$54.5m) after tax for the year ended March, up 24 per cent on the previous year.

Operating revenue was A$570.5m, up from A$530.7m. Interest paid and accrued on deposits dipped to A$231.9m from A$249.7m, while operating expenses rose to A$245.4m from A$202.8m. This left operating profits before tax 19.2 per cent higher, at A$93.2m.

Mr Allan Moss, Macquarie's managing director, said that gains had come from all the main business groups, although the equities business had fared particularly well with brokerage income "surging".

As a result, the break-down of Macquarie's earnings changed last year, with fee income accounting for about 40 per cent, and trading and lending margins, 30 per cent apiece. In the past, these three areas have accounted for about one-third each.

Mr Moss added that the bank had a number of overseas expansionary moves in sight – including the opening of equity-related operations in Hong Kong and New York – and was "discussing the possibility of branch status in the UK".

He added that Macquarie was optimistic about domestic economic prospects for the current year.

Macquarie's shareholder funds at the year-end were A$339.6m, up 17.6 per cent. Total capital, including subordinated debt, was A$520.9m, and the capital adequacy ratio was 13.77 per cent.

Energy arm powers Veba turnover

Sales at PreussenElektra have surged 28%, reports Judy Dempsey

Veba, the German energy-based conglomerate, began a roadshow in the US on Monday – its second in two years – and will travel to Canada later this week as speculation mounts that it might be about to follow Daimler-Benz on to the New York Stock Exchange.

Its arrival in the US coincides with a 14.6 per cent increase in turnover for the first quarter of 1994, to DM17.49bn ($10.9bn).

The biggest contributor to the overall result came from the group's energy sector, led by the PreussenElektra subsidiary. PreussenElektra's turnover for the quarter jumped 27.8 per cent to DM4.3bn.

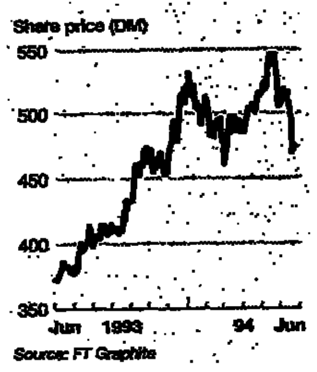
Mr Hans-Dieter Harig, chairman of PreussenElektra, exudes a quiet confidence about the sales gains. Significantly, he is confident that PreussenElektra, the second-largest force in the German energy market behind RWE Energie, can respond to growing pressure from both Brussels and Bonn for deregulation and liberalisation of the industry.

"I support these plans for deregulation. But Germany should not go it alone. We should have reciprocity for third-party access," said Mr Harig.

Mr Harig believes that PreussenElektra is well placed to defend its position when the German energy sector opens to outside competition, partly because of geographical location. It enjoys a dominance in energy distribution from

Veba

Share price (DM)



Source: FT Graphite

Frankfurt to Kiel, and across the northern swathe of eastern Germany.

"This means we do not share a border with France, so we do not have to worry about competition from Electricité de France, the state-owned utility," he says.

PreussenElektra earlier this year concluded a deal with the Treuhand privatisation agency to acquire five units in eastern Germany, cementing its regional monopoly.

The company, which last year made profits of DM968m on turnover of DM12.4bn, is keen to defend its position against future competition by tapping Scandinavian markets. In 1991, it set up Baltic Cable, a joint venture with Sydkraft and Vattenfall, the Swedish utilities.

The venture will build and operate a 250km undersea cable between Germany and Sweden. The link, costing DM500m, is due to be completed in 1994 and will allow direct exchange of electricity between the two networks.

Under the deal, PreussenElektra will import hydro-electric power during the day and deliver power back to Sweden at night. PreussenElektra believes it will benefit from the ability to import low-cost hydro and nuclear power, while the Swedish side will have have access to nuclear and coal-fired generation power in times of low rainfall.

PreussenElektra has been working with Norwegian utilities since last year to build another undersea cable across the North Sea.

These cable links play two roles: apart from increased co-operation with Scandinavia, they open up the possibility for PreussenElektra to expand in Poland and the Baltic States. "We are not rushing in there. We have to consider economic viability. But we are very interested."

Closer to home, the company faces problems: opposition to nuclear power and falling energy consumption in eastern Germany.

Of the electricity generated by public utilities in western Germany, about 37 per cent is sourced by nuclear power. PreussenElektra's share of nuclear power accounts for 47 per cent of that. Yet due to local opposition in Lower Saxony, the company has not been able to recommission its two nuclear power stations at Brunsbüttel, off-line since late 1992, and Krümmel, at a standstill since mid-1993. These two units are costing PreussenElektra DM10m a month.

"I really see no end in sight to these problems," says Mr Harig. However, Mr Harig adds that its five other nuclear power stations last year operated with an average availability of nearly 90 per cent, well above the average for the past 10 years.

The other problem is that PreussenElektra's 51 per cent stakes in five regional utilities in eastern Germany coincide with a continuing fall in energy consumption in the east, and an increasing use of gas. PreussenElektra paid DM800m for its stakes and will invest DM8bn upgrading the region's power stations over the next several years. Energy consumption in the east fell by 45 per cent between 1989 and 1993.

"Our investments will pay off in the long term," says Mr Harig. But he does not expect electricity sales to grow by more than 1 per cent a year, implying that no new power station capacity will be needed until 2005. For the moment, the period of expansion has ended.

However, PreussenElektra will continue its research into electric vehicles. It has already set up a station on the island of Rügen.

"We are in the very early stages," said Mr Harig. And like PreussenElektra's investments in Scandinavia and eastern Germany, he believes it is a long-term project.

"This industry is based on the long term."

National debt market for India

The National Stock Exchange of India plans to launch a screen-based secondary debt market from June 30, Reuter reports from Bombay.

The NSE said securities totalling $44.2bn could be traded on the new exchange. The order-driven market will trade in government securities, treasury bills, public-sector company bonds and floating-rate bonds. It will link large Indian cities though a satellite link enabling real time trading.

Creation of the debt market is the first step in a government plan to establish a fully-computerised national stock market. At present there are 22 stock exchanges in India.

The NSE is expected to begin trading later this year or next year. India's equity markets are capitalised at $120bn.

The government and financial institutions backed the launch of the NSE following the 1992 securities scandal, in which banks and brokers were accused of siphoning money from the inter-bank securities market to invest on the-then booming Bombay Stock Exchange.

Brokers see the NSE as part of pressure on the regional stock markets to reform trading activities.

Mr R. H. Patil, NSE managing director, said it will completely transform secondary debt trading, bringing full transparency to a market previously dogged by secrecy.

Malaysian car group declines

By Kieran Cooke in Kuala Lumpur

Perusahaan Otomobil Nasional, manufacturer of Malaysia's Proton car, has announced pre-tax profits of M$282m (US$108m) for the year ended March, a 9.3 per cent drop on the previous year.

While group revenues rose 35 per cent to M$3.09bn, net earnings declined by 6.8 per cent to M$247m. Earnings per share fell to 48.8 Malaysian cents.

The Proton is manufactured in co-operation with Mitsubishi Motors of Japan.

Proton said that the decline in pre-tax profit was mainly due to a drop in investment income and the rise of the Japanese yen.

PosGold issues innovative fixed-interest 'gold bond'

By Nikki Tait

Poseidon Gold, which is part of Mr Robert Champion de Crespigny's Normandy Poseidon group, has launched an innovative A$200m (US$147m) fixed-interest "gold bond" issue, where both principal and interest payments are denominated in the metal.

The issue overall will represent 400,000oz of gold, and each note 25oz. The 10-year bonds will carry an interest rate of 2.65 per cent for the first five years, and 3.8 per cent thereafter.

Investors will be able to redeem their bonds after five years, although PosGold said that it expected that the terms of the issue "would ensure that investors retain the bonds to maturity in 2004".

The redemption or maturity values will depend on the price of gold at that stage.

PosGold said it believed the issue, which was lead-managed by Merrill Lynch, was the first of its type in international capital markets – adding that it knew of one other issue, by Freeport-McMoran of the US, which was "remotely similar".

PosGold, which is believed to be one of Australia's largest gold producers, said that the aim of the issue was to refinance existing bank debt.

The bonds have been rated BBB- by Standard & Poor's, the US rating agency.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 22.06.94: Pool purchase price £/MWh	Final Prices for trading on 29.05.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.61	12.30	15.78
0100	10.60	12.30	15.78
0130	10.60	14.86	18.33
0200	10.60	14.86	18.33
0230	10.60	14.86	18.33
0300	10.60	14.86	18.33
0330	10.60	12.30	15.78
0400	10.60	12.30	15.78
0430	10.60	12.30	15.78
0500	10.60	12.30	15.78
0530	11.89	11.00	11.00
0600	11.89	11.73	11.73
0630	14.50	10.75	10.75
0700	22.18	21.16	24.64
0730	24.51	22.88	26.36
0800	23.74	24.57	28.06
0830	23.81	31.94	36.44
0900	25.28	32.01	35.54
0930	26.27	32.05	35.58
1000	28.35	32.06	35.60
1030	26.38	30.07	33.60
1100	26.41	30.09	33.63
1130	33.26	43.40	46.95
1200	33.37	43.42	46.96
1230	33.21	43.35	46.88
1300	32.89	31.87	35.48
1330	25.16	24.57	28.08
1400	24.63	24.45	27.93
1430	24.60	24.44	27.92
1500	24.60	24.44	27.92
1530	24.58	24.44	27.92
1600	24.65	24.46	27.94
1630	31.51	36.67	40.08
1700	38.04	47.08	50.55
1730	37.97	47.05	50.54
1800	23.82	36.54	40.02
1830	24.53	25.26	28.74
1900	23.71	25.26	28.74
1930	22.67	25.26	28.74
2000	22.64	25.26	28.74
2030	22.64	25.26	28.74
2100	22.64	22.72	26.19
2130	22.64	30.54	34.01
2200	25.56	47.00	50.47
2230	36.26	47.00	50.47
2300	25.56	30.54	34.01
2330	25.56	22.72	26.19
2400	17.74	21.75	25.22

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.66/MWh becomes 1.866p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-[illegible] between 8:30am and 6:15pm Monday to Friday.
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COMPANY NOTICES

THE FIRST MEXICO INCOME FUND N.V.
Curaçao, Netherlands Antilles

Annual General Meeting of Shareholders

Notice is hereby given that the Annual General Meeting of Shareholders of THE FIRST MEXICO INCOME FUND N.V. has been called by the Managing Director, MEESPIERSON TRUST (CURAÇAO) N.V. and will be held on July 5, 1994 3:00 p.m. (Netherlands Antilles time) at the office of the Corporation at John B. Gorsiraweg 6, Willemstad, Curaçao, Netherlands Antilles.

The Agenda and Annual Report 1993 may be obtained from the offices of the Corporation and from the Paying Agent mentioned hereunder. Shareholders will be admitted to the meeting on presentation of their sharecertificates or vouchers, which may be obtained starting June 20, 1994 from the Paying Agent.

Willemstad, Curaçao, Netherlands Antilles, June 18, 1994.

MEESPIERSON TRUST (CURAÇAO) N.V.

Paying Agent
MEESPIERSON N.V.
Rokin 55,
1012 KK Amsterdam,
The Netherlands

MEESPIERSON TRUST (CURAÇAO) N.V.

CONTRACTS & TENDERS

COMPANHIA PARANAENSE DE ENERGIA COPEL

ADVERTISEMENT FOR BIDS
PUBLIC INTERNATIONAL TENDER Nº C-101

The purpose of this tender is the construction of the Salto Caxias Hydro-electric Plant, located in the State of Paraná, Brazil. The works include river diversion, dam, spillway, power intake, penstocks, power house and switchyard.
Companies with headquarters in any country may participate.
Contract Drawings, as well as Bidding Documents, will be available for consultation from June 06 to July 18, 1994, at the same place where each set may be obtained upon a receipt of a non-refundable payment of 500,00 URV, at the following adress: room 708 – 7th floor, 233 Voluntários da Pátria Street, Curitiba, Paraná, Brazil.
Sealed proposals will be received at 3:00 p.m., on August 31, 1994, at COPEL's headquarters, 10th floor, 800 Coronel Dulcídio Street, Curitiba, Paraná, Brazil.
Any further information may be requested through Phone nº (041) 223-2463 or Fax nº (041) 331-3265.
engº JOÃO CARLOS CASCAES
Diretor Presidente

LEGAL NOTICES

Number 003681 of 1994
In the High Court of Justice Chancery Division
In the matter of GWR Group plc and In the matter of the Companies Act 1985

PERSONAL

INTERNATIONAL CAPITAL MARKETS

US Treasuries fall as dollar hits low against yen

By Frank McGurty in New York and Conner Middelmann in London

US Treasury bonds fell further yesterday morning as the dollar briefly hit a record low against the yen.

Just after midday, the benchmark 30-year government bond was down $\frac{3}{32}$ at $85\frac{1}{32}$, with the yield rising to 7.517 per cent, breaking through the important psychological barrier of 7.50 per cent. At the short end, the two-year note was off ⅛ at $99\frac{12}{32}$, to yield 5.959 per cent.

As the dollar gave up more ground against the yen, the travails of the US currency provided a pessimistic backdrop for bonds. At noon, it dipped below Y100 for the first time in history, but inched back over a few minutes later.

The fear is that the Federal Reserve will soon be forced to support the dollar by lifting short-term interest rates for a fifth time this year. Traders now believe a move could come in early July, rather than at the end of the summer, as once thought likely.

Such speculation brought renewed selling pressure to the entire maturity range, but activity intensified at the short end as traders adjusted their positions ahead of the Treasury's sale of $17bn in two-year notes. Many were selling short, betting on further declines when the new securities were issued during the afternoon.

GOVERNMENT BONDS

Meanwhile, the market was on high alert for more inflationary signals from the commodity markets. Fortunately there was a softer tone in prices for the second day running, easing one source of pressure on bonds.

With concerns over the dollar, bond supply and commodities piling up, the day's economic news passed largely unnoticed. The Commerce Department said the trade deficit had widened in April to $8.4bn, from a revised March deficit of $6.87bn. Economists were expecting last month's figure to be about $7.68bn.

After the two-year note auction, the market was facing the sale of $11bn in five-year notes this afternoon.

■ After Monday's sharp declines, European government bonds ended yesterday's calmer session unchanged to slightly weaker.

Early on, bonds clawed back some of the previous day's losses, helped partly by lower-than-expected German M3 money supply data. However, as investors continued their buyers' strike, markets drifted sideways until weaker US Treasuries dragged them lower in the afternoon.

Europe is likely to continue to track the US in coming days. "Until Treasuries stabilise, volatility and bearishness in Europe will continue," said a trader in London. "Our markets are very fragile and there's no cash activity to speak of – if US yields lurch higher again, we're in for another rough ride," he added.

■ In Germany, news that M3 money supply had grown at an annualised 13.7 per cent rate in the five months to May gave bunds a brief lift. Although the rate is well above the Bundesbank's 4 to 6 per cent target range, it was below market expectations of around 14.5 per cent.

However, it was not enough to lend solid support to the market. "People will need some convincing that it's really heading back towards the official target range," said a German dealer.

Preliminary June inflation data, expected to be released this week, are also unlikely to give the market a sustainable boost. Even if the year-on-year number falls below the psychologically important 3 per cent level, "it probably won't prompt more than a brief uptick in the futures," said the dealer. "Fundamentals aren't driving the markets these days."

At today's repo allocation by the Bundesbank, German money market traders surveyed by MMS International expect the minimum repo rate to fall by five basis points to 5 per cent.

■ UK gilts ended slightly weaker, dragged down by other markets. Traders reported scant cash activity, with prices led mainly by the futures market.

The Bank of England announced that it would auction £2bn of gilts on June 29. It said the auction would be of a further tranche of Floating-Rate Treasury stock due 1999, fungible with the existing issue. The stock will be fully paid.

Today, traders will study the release of the minutes of the May 4 meeting between Bank of England governor Eddie George and chancellor Kenneth Clarke for any hints on the direction of UK interest rates.

■ Italian bonds derived some cheer from favourable inflation data, but continuing worries over the budget deficit and weakness in other markets dragged them lower towards the close.

The 10-year bond contract on the Italian futures exchange closed at 101.73, down 0.11 points and off its 102.66 high.

BNP doubles its options business with US purchase

By Antonia Sharpe

Banque Nationale de Paris, the French bank which was privatised last autumn, plans to become a leading player in the international options business through the purchase of most of the operations of Cooper Neff, the options trading and research firm based in Radnor, Pennsylvania.

BNP's decision to buy a ready-made derivatives business follows a similar, successful move by Swiss Bank Corporation which bought O'Connor Securities, a specialist options firm based in Chicago, in 1992.

Market observers said BNP's acquisition made financial sense since developing a similar standard of technology in-house would probably have involved a much greater investment. "BNP is also buying expertise and a modern financial culture," said one derivatives expert.

Mr Philippe Bordenave, head of BNP Global Markets, said the purchase of Cooper Neff would double the bank's presence in the options business – both firms have more than 100 traders and market-makers – and would raise BNP's profile in the US to the same level which it has achieved in Europe and Asia.

"We have complementary teams," said Mr Bordenave, "Cooper Neff has advanced technology and 13 years of experience of trading in options. We bring name, credit rating, customer base and global coverage."

Mr Bordenave declined to give any financial details of the deal, which will be completed at the end of this year.

However, Cooper Neff's partners, including the firm's founders Richard Cooper and Roy Neff, have been "heavily incentivised" to help BNP build a successful operation and to stay with the bank well into the next century. "I hope to be very wealthy at the end of this period," said Mr Cooper.

BNP will buy some 90 per cent of Cooper Neff's operations at this stage and its equity index market-making operation in Chicago later when US regulations are met.

BNP is also acquiring the US exchange-based currency options business of Mitsui T&B Options, which Mitsui Trust & Banking bought from Cooper Neff four years ago.

Générale des Eaux taps the 10-year sector for FFr1bn

By Antonia Sharpe

Issuers took advantage of the temporary recovery in European government bond markets yesterday to tap the eurobond market before renewed volatility set in.

Générale des Eaux, the French industrial group which has significant media interests as well as its core construction and utility activities, raised FFr1bn through an offering of 10-year eurobonds. The proceeds were swapped into floating-rate francs at an all-in cost to the borrower of 24 basis points over three-month Pibor.

Lead manager BNP said most of the bonds were sold to French investors, although there was also demand from Switzerland and the Benelux region.

By the end of the day, BNP had sold more than half its allocation and only had to buy back a small quantity of bonds from syndicate members.

The bonds were priced to yield 38 basis points over 10-year French government bonds and when they were freed to trade, the spread widened out marginally.

INTERNATIONAL BONDS

Several French corporates are said to be looking at the French franc sector and could tap the market if favourable swap conditions persist.

Indian Development Bank raised $100m through an issue of five-year floating-rate notes which lead manager J.P. Morgan said was the first conventional eurobond offering by an Indian borrower since 1990. The issue, callable and puttable at par in 1997, is designed to act as a benchmark off which future offerings by other Indian issuers will be priced.

The bonds were bought mainly by Middle Eastern and Asian accounts, although the 144a tranche also brought in US investors. The discounted margin on the bonds to the put was 110 basis points over three-month Libor and the bonds are expected to be freed to trade this morning.

J.P. Morgan also put the final touches to the first global bond offering from Fannie Mae. The $1.5bn issue of 10-year bonds is expected to be formally launched and priced today.

Elsewhere, the World Bank brought its widely-expected zero-coupon euroyen offering. The Y100bn issue of five-year eurobonds was targeted mainly at Japanese retail investors, who can get tax breaks on such investments.

The World Bank is also believed to be considering a yen global offering.

● Quebec has filed a shelf offering for up to $2.2bn in debt securities and warrants with the US Securities and Exchange Commission. Together with previous offerings, the Canadian province may now issue as much as $3.5bn of debt, according to the shelf registration.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Sodigas Pampeana/Sodigas Sur	150	(a)#	(a)R	Jul.1999	1.0R	(a) (WI 5yr)	Merrill Lynch International
IDBI(b)‡	100	(b1)	99.73R	Jul.1999	0.375R	-	JP Morgan Securities
YEN							
World Bank	100bn	zero	84.22R	Sep.1999	0.45R	-	Nikko Europe
Australian Ind.Dev.Corp.(c)	15bn	(c1)	100.15	Jul.1997	0.15	-	CSFB/Tokai Bank Europe
FRENCH FRANCS							
Compagnie Générale des Eaux	1bn	8.125	99.402R	Aug.2004	0.425R	+38 (d)	Banque Nationale de Paris
AUSTRALIAN DOLLARS							
L-Bank(g)*‡	129	(e)#	100.00	Dec.1998	undiscl.	-	Nomura International
L-Bank(g)*‡	129	(f)#	100.00	Dec.1998	undiscl.	-	Nomura International

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. *Unlisted. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Priced today at 370-375bp over Treasuries. b) Callable and puttable on 7/7/97 at par and callable on coupon dates thereafter at par. b1) 3-mth Libor +1%. c) Callable on 18/7/95 & 96 at par. c1) 2.9% to Jul.95, then 3.5% to Jul.96 and 4.1% thereafter. d) Over interpolated yield. e) Tranche 1. 1st coupon 20%; 2nd-4th coupons 4%; and 6-mth BBR -45bp, min 6%, max 9%, thereafter. f) Tranche 2. 1st coupon 20%; 2nd-4th coupons 4%; and 6-mth BBR -65bp, min 6%, max 10%, thereafter. g) Long last coupon.

Japanese banks branch out

Asahi Bank and Yasuda Trust & Banking have established wholly-owned securities subsidiaries, Reuter reports from Tokyo.

Asahi Securities will be capitalised at Y35bn and Yasuda Trust Securities at Y20bn, the two banks said.

Japan's financial reforms enable banks and brokerages to engage in each other's businesses. Five banks have established such divisions in the past year. Several more are expected to follow suit in the next 12 months.

● **Philippine National Bank** plans to raise its authorised capital by 150 per cent to consolidate its position as the country's biggest commercial bank, agencies report.

The state-controlled bank is to lift authorised capital to 25bn pesos from 10bn pesos.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	95.1200	-0.870	9.76	8.94	8.68
Belgium		7.250	04/04	93.3000	-0.150	8.27	7.90	7.60
Canada *		6.500	06/04	81.7000	-0.250	9.37	8.87	8.42
Denmark		7.000	12/04	89.8000	-0.220	8.50	8.07	7.56
France	BTAN	8.000	05/98	102.2500	-	7.31	6.79	6.27
	OAT	5.500	04/04	83.7400	-0.500	7.94	7.46	6.91
Germany Treuhand		6.750	05/04	95.9900	-0.090	7.33	7.10	6.73
Italy		8.500	01/04	86.0000	+1.000	10.90†	10.09	9.29
Japan	No 119	4.800	06/99	103.7650	+0.130	3.90	3.54	3.13
	No 164	4.100	12/03	97.3390	-0.060	4.50	4.26	3.75
Netherlands		5.750	01/04	89.1800	-	7.36	7.12	6.85
Spain		10.500	10/03	97.1200	-0.060	10.99	10.18	9.52
UK Gilts		6.000	08/99	89-23	-6/32	8.52	8.22	7.63
		6.750	11/04	85-26	-12/32	8.86	8.54	8.10
		9.000	10/08	101-07	-17/32	8.84	8.58	8.18
US Treasury *		7.250	05/04	100-10	-10/32	7.20	7.01	7.11
		6.250	08/23	85-06	-14/32	7.51	7.30	7.35
ECU (French Govt)		8.000	04/04	84.7100	-0.290	8.39	7.93	7.35

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime		Treasury Bills and Bond Yields			
		One month	3.74	Two year	5.86
Prime rate	7¼	Two month	4.10	Three year	6.31
Broker loan rate	5½	Three month	4.33	Five year	6.79
Fed.funds	4⅜	Six month	4.80	10-year	7.20
Fed.funds at intervention	-	One year	5.25	30-year	7.50

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	112.64	112.30	-0.54	113.14	112.06	262,463	125,307
Dec	111.74	111.40	-0.54	112.16	111.26	1,900	9,639
Mar	110.94	110.60	-0.54	110.94	110.94	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jul	Calls Sep	Calls Dec	Puts Jul	Puts Sep	Puts Dec
112	1.20	2.71	2.49	0.85	2.36	3.10
113	0.73	2.10	2.02	1.43	2.82	-
114	0.35	1.65	1.61	1.95	3.32	-
115	0.14	1.25	-	2.76	3.94	-
116	0.06	0.82	-	3.66	4.62	-

Est. vol. total, Calls 42,304 Puts 81,254 . Previous day's open int., Calls 323,472 Puts 349,042.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	90.47	90.36	+0.03	90.73	90.00	128055	159308
Dec	89.80	89.67	+0.02	89.97	89.54	210	2448

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jul	Calls Aug	Calls Sep	Calls Dec	Puts Jul	Puts Aug	Puts Sep	Puts Dec
9000	0.59	1.46	1.78	1.90	0.23	1.10	1.42	2.23
9050	0.31	1.16	1.50	1.66	0.45	1.32	1.64	2.49
9100	0.13	0.95	1.28	1.44	0.77	1.59	1.90	2.77

Est. vol. total, Calls 20347 Puts 11812. Previous day's open int., Calls 0 Puts 0

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	96.55	+0.10	-	-	0	76

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	102.00	101.75	-	102.65	101.01	52689	64820
Dec	-	100.70	-	-	-	0	100

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
10150	2.55	3.06	2.30	3.86
10200	2.29	2.84	2.54	4.14
10250	2.05	2.64	2.80	4.44

Est. vol. total, Calls 1277 Puts 917. Previous day's open int., Calls 0 Puts 0

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	88.00	87.71	-0.04	88.75	87.50	68,274	91,589
Dec	-	89.63	-	-	-	-	2

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	99-28	99-14	-0-12	100-00	99-11	734	9517
Sep	98-26	98-07	-0-12	98-31	97-18	60990	121212
Dec	-	97-07	-0-12	-	-	0	67

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
98	2-32	2-62	2-18	3-48
99	2-01	2-35	2-51	4-21
100	1-38	2-11	3-24	4-61

Est. vol. total, Calls 4035 Puts 2738. Previous day's open int., Calls 0 Puts 0

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	81.40	81.06	-0.34	81.56	80.90	2,178	6,500
Dec	80.64	80.24	-	80.64	80.64	2	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	103-27	103-18	-0-10	104-00	103-17	10,625	18,369
Sep	102-28	102-16	-0-12	103-01	102-16	399,089	373,434
Dec	102-02	101-25	-0-12	102-09	101-25	2,419	37,345

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	108.18	-	-	108.29	107.65	4120	0

* LIFFE contracts traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Jun 21	Day's change %	Mon Jun 20	Accrued interest	xd adj. ytd
1 Up to 5 years (24)	120.41	+0.05	120.35	1.46	5.77
2 5-15 years (22)	137.69	+0.04	137.63	1.91	6.42
3 Over 15 years (9)	154.39	-0.35	154.93	2.62	5.41
4 Irredeemables (6)	173.61	-0.53	174.54	1.82	6.36
5 All stocks (61)	135.89	-0.03	135.93	1.86	6.09
Index-linked					
6 Up to 5 years (2)	185.42	-0.08	185.56	1.11	2.53
7 Over 5 years (11)	169.12	-0.34	169.71	0.60	2.65
8 All stocks (13)	169.94	-0.31	170.47	0.64	2.63
Debentures and Loans					
9 Debs & Loans (76)	125.14	-1.39	126.91	2.06	5.55

	Low coupon yield Jun 21	Jun 20	Yr. ago	Medium coupon yield Jun 21	Jun 20	Yr. ago	High coupon yield Jun 21	Jun 20	Yr. ago
5 yrs	8.54	8.53	7.00	8.68	8.69	7.20	8.81	8.81	7.36
15 yrs	8.67	8.66	7.76	8.83	8.81	8.14	9.12	9.13	8.41
20 yrs	8.60	8.57	7.98	8.83	8.81	8.25	8.91	8.90	8.46
Irred.†	8.71	8.66	8.35						

	Inflation 5% Jun 21	Jun 20	Yr. ago	Inflation 10% Jun 21	Jun 20	Yr. ago
Up to 5 yrs	3.90	3.86	2.97	2.83	2.79	2.19
Over 5 yrs	3.99	3.96	3.53	3.79	3.76	3.34

	5 year yield Jun 21	Jun 20	Yr. ago	15 year yield Jun 21	Jun 20	Yr. ago	25 year yield Jun 21	Jun 20	Yr. ago
Debs & Loans	9.80	9.80	8.76	9.87	9.89	9.12	9.76	9.60	9.27

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	June 21	June 20	June 17	June 16	June 15	Yr ago	High*	Low*
Govt. Secs. (UK)	90.99	91.14	91.79	91.60	92.38	95.50	107.04	90.99
Fixed Interest	107.70	108.31	108.37	108.73	109.12	113.78	133.87	107.70

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94) , low 50.53 (3/1/75) . Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	June 20	June 17	June 16	June 15	June 14
Gilt Edged bargains	98.7	93.1	96.5	102.9	117.6
5-day average	100.6	101.9	101.8	105.5	102.9

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on June 21

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	91⅞	92⅛	-⅛	7.80
Alberta Province 7⅝ 98	1000	101⅝	101⅞	-⅛	7.16
[illegible]					
United Kingdom 7⅛ 97	5500	101⅜	101½	-⅛	6.55
Volkswagen Intl Fin 7 03	1000	95½	95¾	-⅛	7.71
World Bank 0 15	2000	20⅜	20⅝	-⅛	7.58
[illegible]					
Abbey Natl Treasury 8 03 £	1000	90¼	90½	-½	9.59
Alliance Leics 11¾ 97 £	100	107⅝	108	-⅛	8.28
British Land 8⅞ 23 £	150	85⅝	86⅛	-⅛	10.73
[illegible]					

SWISS FRANC STRAIGHTS; YEN STRAIGHTS; OTHER STRAIGHTS; DEUTSCHE MARK STRAIGHTS; FLOATING RATE NOTES; CONVERTIBLE BONDS — [illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	1994 High	1994 Low
Shorts" (Lives up to Five Years)						
Treas. 10pc Ln. 1994‡‡	10.00	-	100	—	102⅛	100
Exch 12½pc 1994	12.46	6.06	100⅜	—	104⅜	100⅜
Treas 9pc 1994‡‡	8.86	5.16	101⅝	—	103⅜	101⅝
12pc 1995	11.56	5.25	103⅞	—	107⅛	103⅞
Exch 3pc Gas 90-95	3.08	4.95	98⅛	-⅛	98¼	97¾
10¼pc 1995	9.81	5.95	104½	—	107⅜	104½
Treas 12¾pc 1995‡‡	11.75	6.31	108⅜	—	113⅝	108⅜
[illegible]						

Closing British Fund prices were unavailable for Tuesday June 21 following technical problems at the London Stock Exchange.

COMPANY NEWS: UK

Policy of concentrating on core businesses set to continue

Advance to £126m at Manweb

By Michael Smith

Manweb, the Cheshire-based electricity distributor and supplier, re-affirmed its policy of concentrating on core businesses yesterday as it announced a 13.6 per cent rise in annual profits.

The company proposes to pay a final dividend of 17.35p, taking the total to 24.35p, a 16 per cent increase.

"Our view is if we focus on the core we can best add value for shareholders," said Mr John Roberts, chief executive.

In the four years since privatisation, Manweb has been less keen than other recs to diversify into other businesses and is the only one which has not taken a stake in a combined cycle gas power plant.

Mr Roberts saw no reason to change the policy of caution on diversification, even though Manweb had cash deposits of £58.2m at the year-end and is therefore seen by some analysts as being likely to be tempted into making acquisitions.

In the year to March 31, Manweb increased profits from £111m to £126m pre-tax on turnover up from £920m to £930m. Earnings per share growth of 20.6 per cent to 83.6p was helped by a lower than expected tax charge of 21.4 per cent.

The tax charge reflects higher capital spending, higher capital allowances, and resolution of long-standing issues with the Inland Revenue. The company expects a tax charge of about 23 per cent in future years.

Although supply profits rose to £27.3m (£6.9m), profits in the main distribution business fell 9.4 per cent to £91.9m as a result of increased insurance and depreciation charges and investment in customer services.

John Roberts: sees no reason for Manweb to diversify

Unusually for a power company, job numbers rose – from 4,346 to 4,428. Manweb said it had taken out more costs than most other companies since privatisation and had shed 23 per cent of jobs in the core businesses, but last year had concentrated on improving customer services.

"We expect to bring in further efficiencies in future years," said Mr Roberts. Analysts expect a further round of job cuts after completion of the regulator's distribution review.

Retail profits rose by £100,000 to £600,000, in spite of a 4 per cent fall in turnover to £28.3m, and contracting showed a £100,000 profit against a £1.1m loss in 1992-93. The company made £700,000 from wind farms and continued to make a profit from supplying gas to more than 1,000 sites. Expenditure on the distribution network and business infrastructure rose 20 per cent to £108m.

Manweb is seeking shareholders' approval at the annual meeting to buy back 10 per cent of its shares.

See Lex

Lower expenses boost Eurotherm

By Paul Taylor

Eurotherm, the industrial process control equipment supplier, reported a 32 per cent increase in pre-tax profits in the six months to the end of April, despite flat sales.

Profits were £12.1m, against £9.2m on turnover little changed at £81.9m (£81m). However Mr Jack Leonard, chairman, said the order book "is a last beginning to move ahead".

The increase mainly reflected a reduction in administrative expenses to £28.6m, against £31.8m which included £500,000 of redundancy costs. The average number of employees fell by 5 per cent from 2,124 to 2,029.

Earnings per share increased by 31 per cent to 8.9p (6.8p) and the interim dividend is raised by 14 per cent to 2p (1.75p). Despite this the shares closed 28p lower at 369p.

The geographic revenue pattern was only moderately changed from last year. Sales in the US were flat at £24.4m (£23.7m), but there was some improvement in UK sales to £19.1m (£17.2m). And the group said most parts of continental Europe, with the exception of Germany, showed signs of economic recovery. Adjusted for currency movements, shipments grew by 2.5 per cent.

Mr Claes Hultman, chief executive, emphasised that order book growth had begun to accelerate helped by the steady introduction of new products. The new order rate was now running at about 5 per cent ahead of last year.

Operating profits in the first half advanced to £11.9m (£9.3m) fuelled by the reduction in the wage bill. Pre-tax profits were also helped by a swing from net interest costs of £100,000 to net receipts of £200,000 as the group used its strong cash flow to reduce borrowings.

The group ended the period with net cash of £11.9m after repurchasing certain minority holdings in subsidiaries for £1.6m in cash.

● **COMMENT**

Once again Eurotherm has proved it can keep profits moving ahead by improving efficiency and squeezing out more productivity. As a result most of its key ratios have been transformed over the past three years. Despite optimistic forecasts, the management has yet to prove it can engineer a long-awaited resumption of sales growth. That may now be in sight. If order book improvements are translated into higher sales, full year pre-tax profits of £26m look possible, producing earnings of about 19.2p. Although the shares took a tumble in a jumpy market yesterday, they still deserve their premium rating.

Templeton Emerging net assets up 40%

By Bethan Hutton

Templeton Emerging Markets Investment Trust, the largest in its sector, announced growth in net asset value per share of 40 per cent to 346.2p over the year to end-April.

Investment income and interest increased from £5.2m to £9.9m, but expenses rose from £2.49m to £5.98m. Earnings declined from 2.75p to 2.73p per share, while the proposed dividend of 2.1p marks an increase of 23.5 per cent on the previous year. But Templeton warned that its primary focus was capital growth, and it could not indicate future dividend levels.

Higher dividends tend to result from large temporary cash and bond holdings after raising new funds, as yields on emerging markets are low. This year's dividend was also boosted by new rules on tax treatment of foreign income dividends.

At end-April, the geographic split of the trust's investments was central and south America (25.6 per cent), Asia (35.9 per cent), Europe (19.8 per cent), Africa (0.3 per cent), and 18.4 per cent in cash.

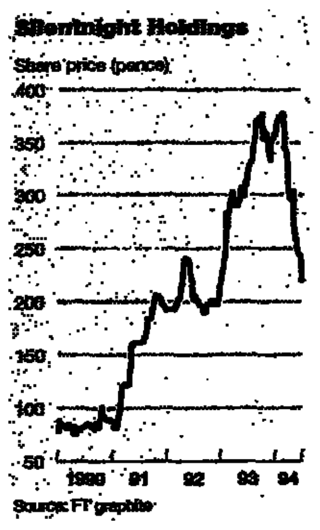
Silentnight shares fall on warning

By Peter Pearse

Shares in Silentnight Holdings fell by more than 10 per cent after Europe's biggest manufacturer of beds announced that the results seen in the first four months in the core UK bed division had been "disappointing".

Yesterday the shares closed down 24p at 219p, having at one point fallen as low as 209p.

Mr Bill Davies, executive chairman, said that the UK bed businesses remained "under significant margin pressure". Not counting closure costs, which would be taken in the accounts for the current year, he expected "results for the first half to be lower than the first half last year", when profits grew 27 per cent to £5.2m.



He explained there had been little change in the condition of the UK furniture market in the last couple of months.

However, not all the news was bad: there had been an upturn in the US operation; the German bed business had been performing satisfactorily; and there had been continued healthy growth in the UK cabinet businesses.

In March the group's shares tumbled 18p to 355p following a warning that profits for the year to January would be "slightly below average market expectations". The result, announced in May, was 3 per cent ahead at £12.4m.

Kingfisher to cut 400 jobs at Comet after sales fall

By David Wighton

Kingfisher is planning to cut the equivalent of 400 full-time jobs from the workforce of its Comet electrical retailing chain following the introduction of new technology and a reduction in opening hours.

Comet staff were told yesterday of the plans to cut total working hours by 10 per cent and to move the weekday opening time from 9am to 10am.

The changes, which follow a six-month review of Comet's store operations, come against a background of difficult trading conditions. Comet's sales fell by 2.1 per cent in the first quarter, although gross margins improved.

Mr Nigel Whittaker, Kingfisher's corporate affairs director, said: "The object of the changes is to enhance service and therefore sales and to reduce costs so that we can operate profitably and successfully in a very competitive market."

Of the time freed by the shorter opening hours about 15 per cent will be used for additional staff training to improve product knowledge.

Comet is investing £10m on the latest generation of electronic point of sale equipment which is currently installed in 50 stores and will be in all 233 outlets by the end of the year. This should reduce the time staff spend on stock taking, processing credit agreements and reading reports from head office.

Comet is also adopting some techniques developed at Darty, Kingfisher's French electricals chain, including the focus on "key performance indicators" such as sales per full-time equivalent and customer conversion rates.

It is thought that the changes will cost Kingfisher less than £3m, of which the bulk are one-off redundancy costs. But the moves could save an estimated £4m a year.

The total number of jobs lost will depend on how many full-time posts are involved and how many staff are redeployed elsewhere in the group.

The change in opening hours, which will be introduced before the end of July, follows research which shows that sales between 9am and 10am are minimal.

Last week Dixons announced plans to sell off 100 of Currys' remaining high street shops to concentrate on superstores. Comet has already completed this shift.

Brown & Jackson criticises its restructuring bankers

By Andrew Jack

The directors of Brown & Jackson, the Poundstretcher retail group rescued recently by Pepkor, the South African group, are poised to launch an unusually outspoken attack on their bankers.

The company's annual report, which is posted to shareholders today, includes a report saying its banks "unnecessarily placed at risk the future of the group and the interests of shareholders, other creditors and employees".

The lead bank during three years of restructuring was Midland. Arthur Andersen was appointed as investigating accountants to the company.

The latest attack follows a letter in the Financial Times from Mr John Jackson, the company's chairman, last Thursday criticising the existing rules which allow investigating accountants to a company in financial difficulties to be appointed as receivers.

Mr Jackson yesterday criticised the banks for charging £1.5m in "success fees" contingent on injections of fresh equity over three years during which he said their loans fell from £27m to £7m.

The company's negotiating position was made more difficult by its protracted discussions with the banks, he added. "I found the whole experience frustrating and baffling. There was a lack of people [at the banks] with sufficient experience outside banking to enter into a meaningful dialogue with the directors."

"It's time these sort of things were discussed. There are not many companies that have been through this and lived to tell the tale."

Some observers of the Brown & Jackson restructuring, however, pointed out that the company's problems were deep and complex. It was saved by an equity injection and new banking lines brought by Pepkor.

Midland said last night that banking confidentiality precluded it from commenting on its relationship with a customer.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Eurotherm ......int	2	Oct 14	1.75*	-	4.75*
Harris (Philip) ......fin	4.65	Aug 2	4.65	6.85	6.85
Hazlewood Foods ......fin	4.3	Oct 3	4.1	6.7	6.4
IWP Intl ......fin	4.75‡†	Sept 16	4.25	8	7.25
London & Clyde §......int	1.8	July 26	1.8	-	4.8
LPA Industries ......int	0.8	Aug 3	1.65	-	2.45
Manweb ......fin	17.35	Sept 9	14.9	24.35	21
Polar § ......int	2.3	Aug 12	2	-	4.85
Quality Care ......int	1.5	Aug 1	1.5	-	4.5
Sterling Inds ......fin	4.5	Aug 12	4.1	6.3	5.6
Templeton Emerg ......fin	2.1	Sept 30	1.7	2.1	1.7
Total Systems § ......fin	nil	-	1.5	nil	3
Trio ......int	nil	-	1	-	2.5
Watson & Philip ......int	4.7†	Aug 5	4.4	-	14.3
Wessex Water ......fin	15.5	Oct 3	14.2	23.5	21.5

Dividends shown pence per share net except where otherwise stated. †On increased capital. *Equivalent after allowing for scrip issue. §USM stock. ‡Irish pence.

Problem plants cut Hazlewood down to £48m

By David Blackwell

Hazlewood Foods raised its dividend by 5 per cent despite losses at four problem plants which were behind a fall from £55m to £48.1m pre-tax for the year to end March.

Mr Chris Ball resigned as chief executive of UK operations as Mr Peter Barr, chairman, warned that the situation at the problem plants had deteriorated in the opening months of this year.

The latest profit was struck after £3m of exceptional costs relating to the disposal of two snack and confectionery businesses.

Underlying earnings per share fell from 17.51p to 16p. A final dividend of 4.3p is proposed, taking the total for the year to 6.7p (6.4p).

The group's business is split two thirds in the UK and one third in the Netherlands. It has been refocusing its activities on added value prepared food products, where it sees good long term growth prospects.

The grocery and non foods division reported operating profits of £15.4m on sales of £156m, down from £15.8m on sales of £170m previously. The fall in turnover reflected disposals which formerly contributed £25m of sales.

Mr John Simons, finance director, said the grocery side of the business had improved operating profits from £11.4m to £12.9m, helped by the new Selby bottling plant for pickles and sauces. The non food side, had retreated from £4.4m to £2.5m.

In the frozen division, which includes fish, shellfish and ready meals, operating profits fell from £27.1m to £24.6m. The fish side was hit by both the higher cost of Dutch flatfish and exchange losses.

The fresh foods business, which includes three of the four lossmaking plants, reported operating profits down from £22m to £19.7m.

● COMMENT

While Chris Ball has fallen on his sword, the UK strategy must have been endorsed by the board. They are likely to find it hard to boost the group's declining margins. Hazlewood now finds itself with a lot of expensive assets which are not generating cash. There are no signs that the markets it is aiming for will get any easier. While the fall in the share price could leave it vulnerable to a predator, it is by no means clear that a new owner could do better. The group's recent history has been disappointing. In 1989, when it made £46.5m on sales of £454m, the dividend was more than four times covered – this time it is just over twice covered. Pencilled in profits of £45m look like leaving little room for any further increase.

An offer that's all but dead and buried

SCI has made a hostile bid for Great Southern. **Simon Davies** reports on why it is unlikely to succeed

The most intriguing fact regarding Service Corporation International's offer document for Great Southern Group, which was released yesterday, is that its "premium offer by a premier company" has no apparent chance of success.

However, the UK's first hostile takeover for a funeral business looks set to develop into a lengthy saga of power and possibly greed within the hitherto quiet traditional family-oriented world of undertaking.

The US funeral giant's bid for a slice of Britain's funeral market got off to an inauspicious start, when JD Field & Sons, which controls 56.1 per cent of Great Southern, spurned the offer within minutes of its arrival.

Great Southern's own board, which comprises four Field family members, yesterday followed up its earlier rebuttal.

Mr James Smillie, chairman, said: "The offer document contains no new information which would cause the board to change its view that SCI UK's unsolicited and unwelcome offers are totally inadequate."

Many might have considered the game was over, but Mr Bill Heiligbrodt, the former marine and unabashed Texan cowboy who is chairman of the company, has set himself the task of roping in Great Southern, and he is in no mood to give up.

The stock market is giving him some credence. The share price closed unchanged yesterday at 614p, compared with a 600p bid, indicating the expectation that there is more to come.

Mr Heiligbrodt, who arrived on May 30 hoping to line up a deal with the Field family, said yesterday: "I'm happy to discuss my value with them, and if there is something I've missed, I'll talk about it. But if they just don't want to sell out, then they should say so."

He can afford some degree of confidence. His employers buried 205,000 people last year, and boast a 9 per cent share of the US market along with a large chunk of the Australian and Canadian markets. The UK is a logical extention.

SCI has a market capitalisation of about \$2.2bn (£1.44bn) but it is faced with a mature market and enormous cash flow.

In the past three years it has used this to increase its number of funeral homes by 54 per cent, and its cemeteries by 32 per cent, to consolidate its position as the world's largest private funeral operator.

It has no interest in diversification – "what other business has no inventory, a low asset base and no need for technology", says Mr Heiligbrodt – but it wants to break into new markets with similar traditions.

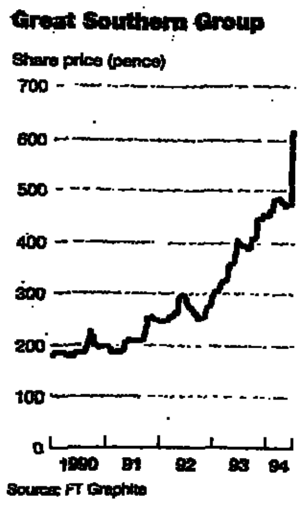
Mr Heiligbrodt says SCI has coped with the enormous cultural range of the US and has no fears of upsetting British traditions. It wants to use Great Southern as a base to expand into the fragmented UK market.

SCI's document focuses on the slowdown in Great Southern's projected earnings per share growth, and sets this out against the fact that it made 20 acquisitions between 1988 and 1990, but only one in the past three years.

Barry Field: chairman of *family-owned JD Field*

"If JD Field is to maintain its control of Great Southern, the potential to make acquisitions is limited in the future," claims the document.

Brokers have not been convinced. They claim the offer ignores Great Southern's expansion into crematoria, and its build up of Chosen Heritage, the pre-paid funeral business which has become a main money spinner.



Source: FT Graphite

"There is not much more opportunity for consolidation in the conurbations", said one analyst.

However, at this stage JD Field & Sons, the Field family's holding company for Great Southern, is the real issue, and it is proving an awkward adversary.

The Field family have apparently been in the burial business since 1690, putting SCI's founding Waltrip family to shame – their initial Houston funeral home was not set up until 1928.

Great Southern was listed in 1986, but the Field family have scarcely lightened their grip. JD Field is 26 per cent owned by patriarch Mr Edward Field and three sons, with a further 70 per cent owned by five family trusts.

It is these trusts that have been targeted by SCI for a £458 per share offer, which compares extremely favourably with the last transaction in the shares, eight months ago, at £55.

However, all of the trusts have a Field family member as trustee, and Mr Peter Wills, a family friend and company secretary of JD Field, is the other trustee for most of them.

Since the JD Field board is unanimous in its opposition to the offer, there seems little hope, regardless of its merits.

Mr Heiligbrodt remains optimistic that he is paying a generous premium and its value will shine through. But he may have to offer a lot more value.

Exceptionals leave Dairy Crest at £3m

By David Blackwell

Exceptional items totalling £35.5m almost wiped out profits at Dairy Crest, the milk processing and dairy products arm of the Milk Marketing Board which earlier this month announced the loss of 600 jobs.

The group, which is to be spun off in the changes planned for the milk market, reported pre-tax profits of £2.8m, against £28.2m, struck after an exceptional charge of £19m.

Mr John Houliston, chief executive, said that operating profits from continuing operations, before allowing an £8m provision for the recently announced restructuring, had risen 7 per cent, from £38.6m to £41.4m. However, he warned of "extremely tough" market conditions which would be reflected in the interim results.

Turnover fell from £1.16bn to £997.7m, including £167.1m (£336.4m) from discontinued operations, resulting in sales from continuing operations being flat at £830.6m (£819.4m). On the same basis operating margins were slightly higher at 5 per cent.

"Dairy Crest continues to make sound progress and is well positioned for the free market in milk," he said.

He did not rule out floating part of Dairy Crest before November 1, when the new milk marketing plans take effect. However, details were not likely for some weeks.

Exceptional items included losses of £20.8m on disposals, mainly reflecting goodwill written back on the sale of five bottling dairies. A 12 per cent in the decline of doorstep milk deliveries led to a provision of £9.8m against the book value of the group's diary in Chadwell Heath, Essex.

The fall in doorstep sales was the main reason for the decline in operating profits at the food services division from £23.4m on sales of £544.2m to £21.3m on sales of £505.9m.

Operating profits in consumer foods, which includes liquid milk sales to supermarkets, rose from £15.2m to £20.1m on sales of £324.7m (£275.2m).

The disposals helped the group to end the year with net cash of £23m compared with net borrowings of £69.5m previously. Net interest payable fell from £8.3m to £1.5m.

NEWS DIGEST

Expansion costs behind fall at Trio

Pre-tax profits of Trio Holdings, the international money and securities broker, fell by almost £1m – from £2.39m to £1.45m – over the six months to end-March, despite turnover almost doubled from £24.8m to £48.4m.

The company said the outcome reflected costs involved in rapid organic growth and subdued activity in its traditional core dollar/D-Mark market, particularly in Asia and Europe.

Earnings per share fell to 0.69p (1.59p) and in view of this the directors said they felt it would be imprudent to pay an interim dividend – 1p was paid last time.

Polar

Polar, the USM-quoted electronic components company, reported a 59 per cent increase in pre-tax profits for the 26 weeks to April 1. The result was helped by improved UK demand and the group's move into the design of semi-conductors.

On turnover 29 per cent ahead at £12.4m (£9.57m) profits were £781,000 (£490,000). Earnings per share were 6.4p (4.1p) and the interim dividend is raised to 2.3p (2p).

Aukett

A flow of new orders helped Aukett Associates, the design and architectural services group, swing back to the black with a first half pre-tax profit of £131,000, against losses of £2.35m.

In the six months to March 31 work done totalled £3.5m, against £3.57m including £536,000 from a discontinued activity. Continuing activities showed a 15 per cent rise. Operating profits on continuing activities were £232,000 (£207,000 loss).

Earnings per share were 0.86p (losses 16.91p).

London & Clydeside

London & Clydeside Holdings, the USM-traded housebuilder and property developer, achieved a jump in pre-tax profits from £34,000 to £327,000 for the half year to March 31.

Turnover advanced to £11.5m (£8.47m).

The interim dividend is maintained at 1.8p, payable from earnings per share up from 0.2p to 2.3p.

Total Systems

Total Systems, the USM-quoted software supplier, reported a recovery in the second half of its year to the end of March, resulting in a return to operating profits.

The pre-tax figure, however, was down at £142,000, against £833,000, on turnover of £2.09m (£2.87m). Earnings per share came out at 0.96p (6.08p) and the final dividend is passed as was the interim. Last time there was a total payment of 3p.

Essex and Suffolk

Essex and Suffolk Water, an offshoot of Lyonnaise Europe, reported pre-tax profits of £21.9m for the year to March 31, against £18.9m. Turnover improved from £66.5m to £71.7m. Earnings per share were 204p (222p).

COMPANY NEWS: UK

Fall in occupancy rates blamed on Community Care Act

Quality Care static at £1.52m

By David Wighton

Shares in Quality Care Homes fell 23p to 290p yesterday after the nursing homes group announced flat profits in the six months to April 30 and failed to increase its interim dividend.

The slowdown was blamed partly on increased competition and on a fall in occupancy rates following the implementation of the Community Care Act last year.

Pre-tax profits rose just 2.3 per cent to £1.52m (£1.49m) despite a 30 per cent rise in turnover from £4.12m to £5.34m.

The company had warned that profits growth would slow this year due to the opening of several new homes which take some months to become profitable. But the impact has been greater than the market expected because of lower occupancy rates.

Mr Duncan Bannatyne, chairman and chief executive, said: "New homes are taking longer to fill and profits from existing homes were down."

At the end of April the group had 699 "established" beds – in homes open for more than eight months – with an occupancy level of 91.7 per cent, down from 96.2 per cent a year earlier. It had a further 242 new beds, of which 162 were filled, giving a total occupancy rate of only 85 per cent.

In the established homes costs increased faster than fees with the group reacting to greater competition by, for example, abolishing charges for physiotherapy and chiropody. However, a 3.5 per cent fee increase in April would improve the second half performance, the company said.

Operating profits rose to £1.65m (£1.49m) but the net interest bill jumped to £128,000 (£54,000). Although earnings per share rose to 7.99p (7.67p), Mr Bannatyne said that given the slowing cash flow from operations, which fell slightly to £1.61m, it would be wrong to increase the interim dividend. It is held at 1.5p.

The group now has 1,250 beds in operation or under construction and has agreement in principle for bank facilities of over £20m which would allow it to develop up to 2,000 beds.

Gearing, which was 29 per cent at the end of the first half, is expected to rise to about 45 per cent at the year end.

Mr Bannatyne said he expected the Community Care changes to lead to permanent reduction in occupancy rates of 1 to 2 per cent.

City Site net assets 16% ahead at £26.6m

By Simon Davies

City Site Estates, property investment and development group, announced a 16 per cent increase in net assets to £26.6m at the interim stage.

Pre-tax profits for the six months to March 31 were marginally improved at £312,000 against £170,000.

The company was almost dragged down by the property slump but has been trading actively in an improving market.

Rental income declined from £5.63m to £4.85m, reflecting property sales. The company sold £2.3m of properties during the period, but purchased a total of £7.4m. Property trading contributed £137,000.

The portfolio currently has voids representing 6.5 per cent of the total. The company is confident this will be reduced through active management and improving tenant demand. It is also marketing a number of other properties for sale, which are expected to result in a substantial increase in profits for the full year.

The company is applying to the courts to eliminate a deficit on its profit and loss account, which would enable it to renew dividend payments.

City Site accrued a further £564,000 of preference share dividends during the period, resulting in losses per share of 1.64p (2.56p).

Acquisition lifts Watson & Philip

By Peggy Hollinger

Watson & Philip, the convenience store and food supplier, yesterday announced a return to interim profits growth after two years of decline with a 26 per cent jump at the pre-tax level to £5.06m.

The acquisition of the Circle K convenience store chain in 1993 was largely behind the profits rise during the six months to May 1, which contrasted with an 18 per cent fall in sales to £218m. Sales were depressed by the group's decision to withdraw from the Spar/VG supply business.

Mr David Bremner, chief executive, said the results vindicated W&P's decision to focus on the convenience store format and move away from lower-margin, fast food supply.

The interim dividend is increased by 7 per cent to 4.7p (4.4p), while earnings per share rose by 25 per cent from 8.1p to 10.1p.

Mr Bremner said dividend increases were expected to lag earnings growth until W&P could rebuild cover of about two times.

The convenience store division showed underlying sales growth of about 2 per cent, while margins had improved from 2.3 per cent to 2.8 per cent.

This was the result of introducing higher margin goods such as newspapers and chilled foods, as well as better purchasing practices.

Mr Bremner said W&P intended to accelerate the introduction of electronic point of sales equipment in the convenience stores. In the longer-term, this would bring considerable cost savings. W&P aimed to double the margins in this business over the next five years to about 5 per cent.

The group opened 24 new stores in the first half for a total of 331. A further 24 are planned for the second six months.

The food services division, which provides supplies to hotels, pubs and clubs, showed a 42 per cent increase in operating profits to £300,000 on a 4.2 per cent rise in sales to £42m. Operating margins rose by 36 per cent to 0.8 per cent.

The cash and carry business suffered a 5.4 per cent drop in sales to £83m, leaving profits 7 per cent lower at £860,000. Mr Bremner said the business continued to generate cash which could be invested in the two core divisions.

Interest payments rose by £700,000 to £1m, with net debt of £23m. This represented some 48 per cent of shareholders' funds, against 40 per cent last year.

Mr Bremner said gearing was expected to fall back to 40 per cent by the year-end.

Reorganising the organiser producer

Caroline Southey looks at the changes that have put Filofax back on its growth path

Filofax has enjoyed a remarkable reversal in fortunes from an all-time low in 1990 when it appeared to be a casualty of the decline in brand mania.

Yet Mr Robin Field, who has turned the company around since joining it at its nadir, believed all along that the difficulties were with Filofax the company, not with its ring binder personal organisers or the market.

From record pre-tax profits of £2.72m for the year to December 1988 on turnover of £14.7m, Filofax went rapidly downhill as it crumbled under the pressure of extraordinary growth which saw turnover double year on year from 1980. It slumped to pre-tax losses of £1.55m in 1990 and its share price crashed to 13p.

Mr Field, now 42, was brought in as a management consultant, but stayed to become chief executive in 1990. He saw that the company had stagnated. Its products were over-priced and poorly distributed with a limited presence in foreign markets.

Among his first steps, he shed jobs, cut prices and reduced the marketing budget. He then changed management and began concentrating on the two planks of his longer-term strategy – expanding sales abroad and reducing reliance on the traditional Filofax product.

Both have been achieved through an aggressive acquisition strategy, buying both distributors and makers of new related products.

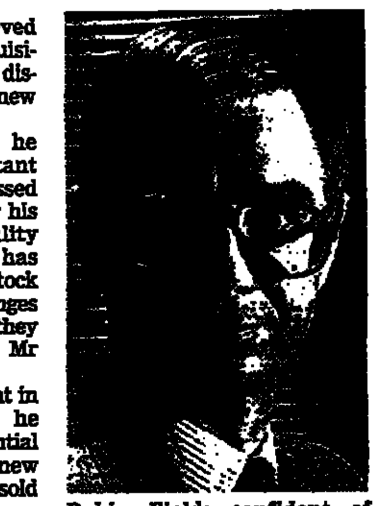
None of the changes he introduced brought instant relief. Profits were depressed in the first two years after his arrival and the credibility problem remained. "It has taken four years for the stock market to accept that changes have been made and that they will prove effective," said Mr Field.

But he remained confident in his analysis. Worldwide he estimates there is a potential annual market for 10m new organisers. In 1987 Filofax sold 300,000 personal organisers a year. In the year to end-March 1994 it sold 800,000.

The acquisition trail was first struck in 1992 when Filofax bought Lefax, a luxury organiser company in the US. This was followed by the acquisition of a French distributor in October 1992. During the past 12 months it has scooped up three companies in continental Europe and one in the UK.

Through its British acquisition, Drakes, which controls 90 per cent of the UK market in carbonless duplicate message books, Filofax has added a range of new products to its portfolio.

Under Mr Field's leadership the company has worked hard at debunking the myth that the Filofax was the plaything of the rich, upwardly mobile young adults prevalent in the 1980s. Although the Filofax can still cost between 15 and 20 per cent more than unbranded competitors – the most popular model retails for £34 today, compared with £60 for an average Filofax in 1988-89.



Robin Field: confident of maintaining profit levels

The product has also been modified and improved in the past four years and a cheaper range, starting at £9.95, has proved popular with students.

Acquisitions have generated substantial increases in sales, particularly abroad, and have allowed Filofax to build its own distribution network. In 1987, at the height of its fortunes, foreign sales accounted for 38 per cent of total turnover. In the year to March 1994 they accounted for 65 per cent.

Although the company holds between 55 and 60 per cent of the UK market, worldwide it has managed to capture just 15 per cent of the market, leaving plenty of room for growth, it believes.

The expansion has also meant that non-organiser products are expected to contribute more than 10 per cent of total sales in the coming financial year. In 1987 their contribution was negligible.

Mr Field remains enthusiastic about the appeal of the original organisers. He points out that more than 65 per cent of sales are to women, mostly housewives. Army officers and clergymen are also strong Filofax fans, a pattern established shortly after the first Filofax was sold by mail order in 1921 and when a Church of England store provided the first retail outlet.

The common theme among Filofax users is that they organise their lives without secretarial help.

Mr Field is sanguine about competition from electronic personal information managers and personal digital assistants. "We watch their development very closely, but we are not in the same market." He says those products are business tools, aimed at business people. "We are aimed at the domestic market."

With a secure order base and new markets to explore, Mr Field believes the company can sustain its profit growth. This week it reported pre-tax profits of £3.26m on turnover of £17.1m. Yesterday its share price was trading at 206p, off this year's all time high of 228p but up 10 fold in four years.

Filofax, he says, "remains alert to further acquisitions". With net cash of £2.41m (£3.35m) to the March year-end it is a strategy it can well afford to pursue.

LONDON RECENT ISSUES

Newly issued shares appear for between four and six weeks in the London Recent Issues table. At the end of this period, a stock is normally moved to the appropriate category of the London Share Service if the company so requests.

In the full weekday editions of the FT, published on Tuesday to Friday mornings, the table appears on the half page of London Market Statistics that also includes the FT-Actuaries Fixed Interest Indices and London traded options prices.

On Saturdays it appears in the UK Company News page, and on Mondays on the Currencies, Money & Capital Markets page.

COMPANY NEWS: UK AND IRELAND

Dutch acquisition aids 27% advance at IWP

By Tim Coone in Dublin

IWP, the Irish industrial holding group, reported a 27 per cent increase in pre-tax profits to I£15m (£14.7m) for the year to March 31, on turnover up 28 per cent to I£121m.

The result included a five month contribution from Levendaal Beheer, the Dutch toiletries and household products group which IWP acquired last October for I£51.2m.

Levendaal contributed I£3.4m to the pre-tax line, which according to Mr Joe Moran, group chief executive, was ahead of expectations.

Excluding the acquisition, the rest of the business suffered squeezed margins. Operating profits slipped 2.5 per cent to I£12.7m on turnover up 9.5 per cent to I£104m, although Mr Moran said that this was due exclusively to increased competition in the firelighters business, resulting from new entrants to the market. This was still making a good return on capital, however, and would not be disposed of, he said.

The rest of the business – embracing personal care, household products and packaging – performed well, Mr Moran said.

Gearing was 67 per cent (64 per cent) at the year end, but is expected to fall to 35 per cent by end-March 1995.

Strategic priorities are on bedding in the Levendaal acquisition in the current year, before embarking on further substantial acquisitions, although Mr Moran said that modest bolt-on purchases in the UK and in Europe were under consideration for the core businesses.

In the longer term, "organic growth is limited" he said, and to achieve an ambition of doubling pre-tax profits over the next five years further acquisitions will be required which will financed out of cash flow and borrowings.

Earnings per share were 34.5p (31.9p) and a final dividend of 4.75p is recommended, making a total of 8p (7.25p) for the year.

Analysts forecast pre-tax profits in the region of I£19m for the current year.

Philip Harris declines to £1.26m

Despite an increase in sales from £85.3m to £90.5m, pre-tax profits of Philip Harris, the supplier of equipment and materials to the education, scientific, medical and industrial markets, fell from £2.02m to £1.26m.

The directors said that the recession had hit margins in the education and scientific division, while the export business had operated at significantly lower levels than in the previous year and had ended the year in loss.

Recently, however, a number of substantial overseas orders had been received which would benefit the current year, they added.

The pre-tax figure was struck after a fall in interest payable from £570,000 to £184,000. Borrowings were significantly reduced as a result of a £5m rights issue in March last year.

Gearing at the year end stood at 14 per cent, against a pre-rights issue level at the previous year end of 65 per cent and a post rights figure of 17 per cent at end-September 1993.

Earnings per share fell from 16.47p to 8.1p. The final dividend, however, is held at 4.65p maintaining the total for the year at 6.85p.

Phoenix Timber reduces losses

Reduced pre-tax losses of £561,000, against a restated £4.19m, were announced by Phoenix Timber Group for the year to March 31.

The outcome for the property care and flooring group follows a fall in administration and financing costs in the second half together with a £125,000 surplus from land sales.

Turnover fell to £17.6m (£21.6m) with £1.6m (£4.64m) from discontinued operations. Losses per share were cut to 2.1p (23.8p).

The current year had started slowly in both principal trading companies, Mr Hugh Try, chairman, said. The level of orders at Durabella was encouraging, although pressure on margins remained. Protim needed a continued upturn in the housing market to exploit its potential, he added.

Bank borrowings had been cut by £3.38m to £2.2m during the year and Mr Try said the realisation of assets from discontinued operations continued.

Strong second half boosts Sterling Industries to £4.74m

Sterling Industries, the engineering group which has a 9.7 per cent stake in Caledonia Investments, reported a 26 per cent advance in pre-tax profits from £3.74m to £4.71m for the year ended March 31.

Turnover for the company, of which Cayzer Trust holds 48.8 per cent and Caledonia has a stake of 21.05 per cent, expanded to £47m, compared with £38.9m, with £2.23m coming from acquisitions, directors stated.

Mr Peter Buckley, chairman, said that after a slow start to the year the second half had improved with a particularly strong performance from the thermal process division with GCD in Australia being the main contributor.

The thermal process division contributed £1.93m to operating profits, against a previous £881,000, from turnover ahead from £27.1m to £34.1m.

Hydraulics achieved £1.03m (£995,000) from turnover of £13m (£11.8m).

Earnings per share rose from 8.6p to 12.06p while a recommended final dividend of 4.5p is proposed for a total distribution of 6.3p (5.6p).

Dawson in US restructure

Dawson International, the Edinburgh-based textiles group, yesterday said it was restructuring Dawson Home Fashions, its US shower curtain and bathroom accessories business, to return it to profitability.

On March 1 the company announced that, following a review of part of the US activities, it was considering the sale of DHF. However, because satisfactory terms have not been agreed, discussions with possible purchasers have ended.

A provision of £12m in the group accounts for the year to March 26 1994 was sufficient, the company said, to meet potential restructuring costs and provisions.

DHF's sales in the current year were ahead of budget.

CIT assets grow 32% to £20.7m

Total assets of China Investment Trust, managed by Jupiter Tyndall (Asia), expanded 32 per cent to £20.7m in its first 10 months of operation to March 31. Net asset value per share was 130.5p, writes Alexander Nicoll.

By the end of the financial year, the fund was about 38 per cent invested in Chinese B shares listed in Shanghai and Shenzhen, 43 per cent in Hong Kong and 15 per cent in Taiwan, according to Mr Chris Legallet, its manager.

The trust outperformed the Hang Seng Index, and its growth compared with a 15.5 per cent fall in the Credit Lyonnais China B Index over the same period.

COMMODITIES AND AGRICULTURE

High freight costs floor Russian coal exports

By Gerard McCloskey

Russian coal producers and exporters are waiting with little optimism for the first anniversary of one of a bizarre government measures that has catastrophically damaged the whole industry's export efforts. Without warning at the beginning of August the transport ministry lifted the charge for carrying coal to levels that virtually brought exports to Europe to a standstill.

Although some higher grade coals have managed to find their way on to house coal markets, a year later the damage to exports is profound, with a $30 rail charge in place for movements from the Kuzbass, Russia's biggest coal producing region, to the Baltic. With fob prices on the Baltic of around $2,600 for steam coal, the effect on the export business has been total.

Pressure for the producers to get the rail rates reduced to levels at which they can undertake their business profitably has brought little response from the authorities, save for the setting up of a coal transport company, Transugol, whose activities most of the producers puzzle over. "They've done nothing; they have been invisible," one of the producer representatives said last week.

The benefits to the rest of the world's coal producers, particularly for those who supply the spot steam coal market, has been immediate, with a steady recovery in spot prices since August last year.

At that time, some South African business was being conducted at about $19 fob Richards Bay, a price that has risen to $28 this month and that most traders and producers predict will recover throughout the year.

If the Russian transport authorities relent and return rail charges to levels at which their exporters can once again compete, the risk is that much of the additional tonnage will be restricted to the spot steam coal market once again.

So large is the potential tonnage that could become available that it might once more overwhelm the capacity of the market and drive down prices.

At a time when the world is becoming extremely short of coal and demand is growing in Asia the potential of the Russian exporters to capitalise on the situation should be substantial. But they can only achieve this with some show of goodwill and assistance from the government. And this, so far, is not forthcoming.

Minister warns of Caspian oil risk

By John Lloyd in Moscow

Mr Yuri Shafranik, the Russian energy minister, has warned international oil companies that investment in the huge oil and gas reserves in the Caspian Sea is fraught with risk.

In an interview in the Petroleum Argus newsletter, he says that "because so far there is no legal division of the Caspian [between Russia, Kazakhstan, Azerbaijan and Turkmenistan, which all border it]. . . I would advise you at the least, be careful".

Mr Shafranik refers to a letter sent by the Russian foreign ministry to the British Embassy in February, with special reference to a treaty signed between Azerbaijan and the UK regulating talks on a deal to exploit the large oil reserves off Baku, the Azeri capital. The talks have been going on for over three years between successive Azeri governments and a consortium of major oil companies led by BP.

The letter says that the Caspian is "an object of joint use, within whose boundaries all issues of activities, including resource development, have to be resolved with the participation of all the Caspian countries. . . any steps by whatever Caspian state, aimed at acquiring any kind of advantages with regard to the areas and resources of the Caspian Sea, run counter to the interests of the other Caspian states and cannot be recognised".

None of the companies involved has made any direct comments on the situation. But most appear to accept that Russian involvement in Caspian projects would be acceptable as long as it did not undermine the commercial viability of projects.

The minister says that the investment climate for western oil companies has improved with the adoption of new laws. An agreement to prospect for oil on the Sakhalin shelf will be signed this month, he says, and "a whole series of agreements will follow".

The investment climate in Russia for western oil companies is slowly improving, according to the head of Magma Oil, one of the first Russian oil companies to be privatised, writes Robert Corzine.

Mr Sergey Shafranik, director general of Magma Oil and brother of Mr Yuri Shafranik, Russian energy minister, said he expected production to expand with the lifting of export quotas and the lowering next month of export levies.

Magma last year brought into production the Yuzhnoye field in the Tyumen region of western Siberia. It was the only new field to be brought on stream in Russia last year.

The company is controlled by Australian-listed Vanguard Oil through a 50.3 per cent holding by its Eurosov subsidiary. The remainder is held by the main Russian oil production, refining and transportation companies.

Wood pulp producers announce more rises

By Bernard Simon in Toronto

Several North American wood pulp producers have announced their fourth price increases this year amid growing fears of a strike later this summer by pulp-mill workers in British Columbia.

The latest rises, which are due to be implemented in July and August, will bring the price for northern bleached softwood kraft pulp, the industry's staple product, up to about US$620 a tonne, from the current level of $560. Prices sank as low as $390 a tonne a year ago.

Mr Rodney Young, president of Resource Information Systems, a US consultancy, linked the proposed price increase mainly to forthcoming negotiations on a new labour contract in British Columbia. But he also pointed to "booming" markets in south-east Asia, and a pick-up in European and Japanese demand.

Canada's pulp industry, which makes up more than a quarter of world pulp shipments, is currently operating at full capacity, up from 80 per cent a year ago.

Many paper mills are cushioned from rising pulp prices by having access to their own raw-material supplies. But a trader at Trebor, a New Jersey-based paper broker, said that the surge in pulp prices had squeezed some producers, especially of tissue, who are struggling to pass the increases on to their customers.

Uncertainty about shipments from British Columbia has been heightened by a dispute that has broken out in advance of the actual contract negotiations. Two unions representing 12,000 BC pulp mill workers have so far rejected management efforts to move from an industry-wide agreement to mill-by-mill bargaining. The BC Labour Relations Board is expected to rule on the dispute within the next few days.

Australian bureau forecasts 7% increase for commodity basket

By Nikki Tait in Sydney

World commodity prices are expected to rise by 7 per cent overall in 1994-5, although the picture for individual commodities is extremely mixed, according to latest forecasts from the Australian Bureau of Agriculture and Resource Economics.

The predicted overall rise is attributed to the steady pick-up in economies worldwide, and would compare with a fall of 3 per cent in Abare's total commodity index in 1993-94, despite the fact that commodity prices generally bottomed out in the September and December quarters of that year. In 1992-93 the index fell by 8 per cent.

The government-owned forecasting unit said that prices of wool, aluminium and base metals were all expected to be higher in year-average terms but that "given the rapidity with which these prices rose in the June quarter 1994, some downward corrections may occur in early 1994-95". The wool market indicator price is forecast to average 585 cents a kilogram in 1994-95, compared with 508 cents in the current year; prices for primary aluminium are predicted to rise by one-fifth to average US$1,430 a tonne; gold prices are forecast to average US$383 a troy ounce in 1994, and US$390 in 1995.

Meanwhile, sugar and cotton should also "remain buoyant" in year-average terms, but prices could begin to fall in the latter half of 1994-95 as world production recovers strongly. Australian beef prices are also set for a "substantial" rise, says Abare, predicting that the sale yard indicator price for cattle will increase by over 19 per cent, to 280 cents a kilogram in 1994-95.

The darker spots are the Australian dairy industry, affected by adverse trade developments (including a suspension of the General Agreement on Tariffs and Trade minimum price for butter), and the coal and iron ore sectors. The annual round of negotiations with the Japanese steel-mills and power industry buyers have already ensured that prices of coking and thermal coal and iron ore will fall in the current year.

Organic EU farm policy proposed

By Deborah Hargreaves

The Soil Association, the body that promotes organic farming in the UK, has called on the European Commission to adopt a system of farm management agreements as a way of further reforming the Common Agricultural Policy. The system would ensure that farmers stick to environmental guidelines.

Mr Patrick Holden, director of the Soil Association, believes the Commission should establish a set of guidelines for farmers to follow as a minimum to qualify for income support under the CAP. This whole farm management agreement could then form the basis for other bolt-on environmental measures according to region, soil type and farmer preferences.

"Everyone agrees that the CAP is fiendishly expensive and highly unpopular. . . we also know it has wreaked havoc and untold destruction on the environment," he said.

He points to the urgent need to rationalise existing environmental schemes which "remain underfunded, overlap considerably and urgently require rationalisation within a single policy mechanism".

The Soil Association's suggestions are contained in a policy statement titled "Subsidies Without Set-aside", which highlights the fundamental difficulty of attracting farmers to organic methods – the problem of recovering the higher cost of production in the market place.

It says: "Since the market place offers relatively few rewards for farmers who voluntarily modify their production methods to benefit the countryside, additional policy mechanisms are needed to encourage farmers to change their ways".

In addition, sustainable agriculture, which has become the latest buzzword in Brussels is interpreted in a number of ways by different producers. "Some of these low-input, low-output systems can mean almost anything the farmer wants them to," says Mr Holden.

He maintains that the management agreements could set out specific guidelines for cutting the use of artificial inputs which would be easier to police than some of the vaguer concepts currently in use.

MARKET REPORT

Supply fears keep oil price rally going

Continued concerns about supply tightness in the US Midwest kept the OIL price rally going yesterday, defying forecasts of a "correction" following the $2–a–barrel gain over the past week.

COFFEE futures showed resilience, meanwhile, with Monday's shake-out being recovered with interest.

At the London Metal Exchange COPPER prices tended slightly lower as the market tried to consolidate recent gains and build a base for a further advance.

Compiled from Reuter

Upgrade will extend life of NZ smelter

By Terry Hall in Wellington

Comalco and its Japanese partner Sumitomo are to invest NZ$400m (£155m) in upgrading the Bluff aluminium smelter to extend its life well into the next century.

Mr Kerry McDonald, chief executive of Comalco NZ, said that the modernisation programme was essential; without it the smelter, New Zealand's biggest producer of manufactured exports, would have had to be closed, possibly within five years. The upgrade is linked with the granting of controversial new concessional electricity supply agreements to the year 2012 with the government-owned Electricorp. The low tariff has drawn criticism from other manufacturers and consumers.

Mr McDonald said that the agreement removed a major area of uncertainty and laid the foundations for the future development and operation of the smelter. He said recent output performance justified the investment. Studies showed the upgrade, which will improve the smelter's technical capability and competitiveness, would contribute net benefits of NZ$500m to the economy.

Production will rise from 270,000 to 313,000 tonnes a year and further improvements will be allowed for. The third potline will be given additional cells, which will use electricity more efficiently.

About NZ$100m will be spent on upgrading the air discharge systems to reduce gaseous fluoride and particle emissions. The work is expected to be completed in 1996.

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	-6,900	to 2,646,425
Aluminium alloy	-200	to 30,420
Copper	-3,475	to 357,375
Lead	+1,075	to 360,650
Nickel	+168	to 132,102
Zinc	+175+3	to 1,192,325
Tin	-120	to 30,020

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1444.5-5.5	1474.5-5
Previous	1444.5-5.5	1474-5
High/low	1435	1480/1465
AM Official	1435-5.5	1465.5-6
Kerb close		1469-70
Open int.	274,979	
Total daily turnover	67,616	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1450-60	1465-70
Previous	1450-60	1465-70
High/low		1465
AM Official	1450-60	1465-70
Kerb close		1460-70
Open int.	3,010	
Total daily turnover	365	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	540-1	558-8.5
Previous	546-7	564-4.5
High/low		561/555
AM Official	539-40	557-7.5
Kerb close		557-8
Open int.	37,902	
Total daily turnover	4,732	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6400-10	6490-500
Previous	6485-95	6580-5
High/low		6535/6440
AM Official	6345-50	6445-50
Kerb close		6460-70
Open int.	58,311	
Total daily turnover	19,876	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5570-80	5665-65
Previous	5590-600	5670-80
High/low		5670/5640
AM Official	5558-60	5635-40
Kerb close		5640-50
Open int.	16,357	
Total daily turnover	2,392	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	989.5-90.5	1015-5.5
Previous	995-6	1020-1
High/low		1025/1010
AM Official	989-90	1015.5-6
Kerb close		1012-2.5
Open int.	106,666	
Total daily turnover	22,602	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2419-20	2433-3.5
Previous	2428-9	2438-9
High/low	2407	2450/2421
AM Official	2407-8	2422-3
Kerb close		2432-3
Open int.	221,800	
Total daily turnover	67,219	

■ LME AM Official £/$ rate: 1.5370
LME Closing £/$ rate: 1.5364

Spot:1.5403 3 mths:1.5382 6 mths:1.5365 9 mths:1.5351

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	Low	Open int	Vol
Jun	111.80	-0.35	111.85	111.65	395	71
Jul	111.75	-0.40	112.65	110.90	22,841	4,364
Aug	111.65	-0.35	-	-	705	4
Sep	111.95	-0.35	112.90	111.05	25,218	4,505
Oct	111.35	+0.10	-	-	275	2
Nov	110.85	-0.35	-	-	239	4
Total					63,010	9,208

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	390.50-390.90	
Opening	389.40-389.80	
Morning fix	389.95	253.494
Afternoon fix	390.30	253.524
Day's High	390.70-391.10	
Day's Low	388.70-389.10	
Previous close	390.20-390.60	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.03	6 months	4.38
2 months	4.11	12 months	4.91
3 months	4.16		

Silver Fix	p/troy oz.	US cts equiv.
Spot	358.45	548.25
3 months	360.75	554.05
6 months	365.15	560.25
1 year	377.05	576.90

Gold Coins	$ price	£ equiv.
Krugerrand	394-397	256-259
Maple Leaf	400.90-403.40	-
New Sovereign	92-95	60-63

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jun	394.3	+5.4	395.7	390.2	552	68
Jul	394.9	+5.4	-	-	-	-
Aug	396.3	+5.4	397.9	390.3	81,637	38,578
Oct	399.3	+5.4	400.9	394.0	5,408	385
Dec	402.5	+5.4	404.5	397.0	25,860	4,198
Feb	406.1	+5.5	406.3	405.0	6,439	257
Total					189,154	46,284

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jul	411.1	+4.8	411.5	406.6	10,209	2,478
Oct	414.0	+4.8	414.4	410.0	11,804	2,316
Jan	416.2	+4.6	415.5	411.5	1,218	12
Apr	418.3	+4.8	418.0	415.6	1,169	2
Total					24,400	4,808

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jun	138.00	+0.75	-	-	60	-
Sep	139.50	+0.75	140.00	139.00	3,858	296
Dec	139.70	+0.75	139.50	139.50	830	3
Mar	139.70	+0.75	-	-	1	-
Total					4,749	299

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jun	559.1	+12.1	-	-	1	2
Jul	559.5	+12.0	562.5	546.5	58,943	23,628
Aug	562.4	+12.0	-	-	3	-
Sep	564.5	+12.1	568.0	551.5	31,405	9,260
Dec	572.0	+12.1	575.0	559.5	18,457	1,802
Jan	573.7	+12.1	-	-	32	-
Total					124,846	34,837

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	20.70	-0.05	20.73	20.37	28,586	23,316
Aug	19.69	-0.02	19.72	19.45	91,191	48,753
Sep	19.18	-0.03	19.21	19.00	57,450	18,621
Oct	18.87	-0.04	18.90	18.74	31,898	8,486
Nov	18.67	-0.05	18.70	18.54	24,372	4,208
Dec	18.56	-0.03	18.57	18.44	34,942	6,004
Total					412,111	121,184

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Aug	17.57	+0.11	17.66	17.30	73,519	30,371
Sep	17.40	+0.05	17.46	17.14	29,212	66,180
Oct	17.32	-0.01	17.35	17.10	10,106	25,855
Nov	17.26		17.34	17.08	6,313	7,151
Dec	17.21	-0.03	17.23	17.04	10,132	6,540
Jan	17.18	-0.05	17.20	17.13	2,899	8,066
Total					138,842	40,466

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	50.95	-0.52	51.40	50.50	28,174	9,864
Aug	51.35	-0.49	51.70	51.00	27,777	8,121
Sep	52.15	-0.31	52.30	51.85	14,763	4,489
Oct	53.00	-0.36	53.00	52.80	9,900	605
Nov	53.95	-0.28	54.00	53.90	7,123	324
Dec	54.80	-0.41	54.80	54.40	15,542	2,245
Total					134,436	26,659

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	158.50	-0.75	159.00	157.00	31,666	5,750
Aug	160.50	-1.00	161.25	158.75	12,740	3,724
Sep	162.25	-0.25	162.75	161.00	8,299	873
Oct	165.50	-0.25	165.75	163.75	8,202	204
Nov	167.50	-	167.75	166.00	5,331	388
Dec	169.00	-0.25	169.25	167.25	13,710	1,134
Total					89,942	14,304

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	2.100	-0.026	2.135	2.095	12,365	8,058
Aug	2.140	-0.015	2.165	2.135	18,083	3,964
Sep	2.155	-0.007	2.170	2.150	11,893	979
Oct	2.176	-0.005	2.185	2.175	10,170	300
Nov	2.245	-	2.265	2.250	11,402	119
Dec	2.340	-0.001	2.350	2.341	14,691	136
Total					122,588	13,714

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	54.20	-0.45	54.55	53.40	30,243	12,767
Aug	54.45	-0.40	54.70	53.75	31,717	7,878
Sep	54.20	-0.36	54.40	53.65	11,894	2,601
Oct	52.30	-0.56	52.65	52.10	4,869	227
Nov	51.80	-	-	-	4,577	197
Dec	55.75	-0.47	55.90	55.74	2,883	131
Total					86,438	23,825

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	114.90	-0.35	115.25	115.00	166	56
Sep	101.15	-0.35	101.50	101.50	484	10
Nov	102.05	-0.45	102.50	102.05	2,285	43
Jan	103.90	-0.40	104.30	103.90	1,400	75
Mar	105.40	-0.35	105.40	105.40	450	5
May	107.25	-0.35	107.25	107.25	392	5
Total					5,177	194

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	324/4	+2/4	325/0	318/4	82,070	50,870
Sep	331/0	+3/6	331/4	325/0	67,520	23,140
Dec	342/4	+4/0	343/0	337/0	116,665	55,135
Mar	345/2	+3/2	346/0	340/0	18,690	2,140
May	336/2	+3/2	-	-	335	-
Jul	321/4	+1/4	322/0	319/6	2,060	765
Total					286,340	132,050

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	265/2	-6/0	268/0	261/6	358,990	72,540
Sep	260/0	-7/0	263/4	256/4	220,100	32,540
Dec	254/0	-6/0	258/0	250/4	581,870	143,135
Mar	260/4	-6/0	263/4	257/4	64,125	4,085
May	264/6	-7/0	267/4	262/0	10,675	1,155
Jul	266/4	-6/2	268/4	263/0	18,966	1,830
Total					1,275M	269,146

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	99.30	-0.20	-	-	198	-
Nov	100.25	+0.15	-	-	370	-
Jan	101.75	-	-	-	26	-
Mar	103.00	-	-	-	25	-
May	104.60	-	-	-	4	-
Total					623	-

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	676/4	-4/4	680/0	669/0	170,805	48,815
Aug	673/0	-5/2	676/0	665/0	104,225	21,100
Sep	662/4	-6/0	666/0	653/0	49,800	4,360
Nov	652/4	-12/4	658/0	643/0	388,025	128,105
Jan	658/2	-10/6	661/0	649/0	30,455	2,876
Mar	662/6	-10/0	667/0	655/0	14,390	1,010
Total					786,186	211,526

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	27.54	+0.30	27.64	27.03	16,204	5,346
Aug	27.56	+0.30	27.65	27.03	14,673	3,780
Sep	27.45	+0.23	27.56	26.95	12,093	1,632
Oct	27.12	+0.19	27.12	26.66	6,693	581
Dec	26.81	+0.11	26.85	26.42	22,981	5,422
Jan	26.72	+0.04	26.75	26.40	2,795	33
Total					81,837	16,943

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	194.7	-2.0	198.5	192.5	20,010	8,612
Aug	195.1	-2.0	196.5	193.0	19,114	5,211
Sep	194.8	-2.1	196.5	192.5	14,024	1,230
Oct	192.4	-3.6	194.5	190.0	6,711	1,230
Dec	191.9	-4.4	194.0	188.5	21,699	5,503
Jan	191.8	-4.6	194.0	189.7	1,610	91
Total					88,084	22,000

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	90.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Apr	150.7	-1.1	150.6	148.0	846	49
May	140.0	-	-	-	-	-
Jun	107.5	-	-	-	-	-
Total					846	49

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	1308	+23	1308	1295	481	65
Jul	1278	+25	1279	1255	1,006	197
Aug	1276	+23	1285	1260	190	123
Oct	1354	+14	1354	1348	509	8
Jan	1366	+10	1366	1356	233	26
Apr	1375	+9	1380	1370	97	19
Total					2,568	428

	Close	Prev
BFI	1312	1311

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	997	-3	999	985	14,116	751
Sep	1015	-7	1020	1007	19,854	1,347
Dec	1032	-8	1038	1025	26,129	654
Mar	1047	-15	1057	1045	28,028	355
May	1057	-17	1070	1058	10,761	134
Jul	1068	-20	1080	1071	3,369	112
Total					111,702	3,510

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	1327	-11	1350	1320	849	425
Sep	1364	-8	1392	1354	41,159	8,352
Dec	1399	-12	1427	1390	11,905	726
Mar	1429	-12	1455	1420	7,979	251
May	1448	-12	-	-	2,934	26
Jul	1470	-12	-	-	2,346	4
Total					71,723	9,771

■ COCOA (ICCO) (SDR's/tonne)

June 20	Price	Prev. day
Daily	1052.86	1071.33
10 day average	N/A	N/A

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	2363	+58	2365	2274	8,084	822
Sep	2344	+62	2358	2258	19,822	2,920
Nov	2321	+63	2331	2236	7,473	806
Jan	2309	+84	2315	2225	6,621	437
Mar	2280	+85	2290	2206	2,600	69
May	2280	+93	-	-	227	-
Total					44,807	5,056

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	131.30	+1.45	134.50	129.65	5,080	4,182
Sep	133.90	+2.05	136.80	132.30	28,947	8,084
Dec	132.95	+3.40	135.25	131.10	12,913	1,448
Mar	130.90	+2.80	134.10	130.00	8,034	254
May	130.25	+2.75	131.70	129.30	1,109	5
Jul	129.25	+1.25	-	-	193	4
Total					58,214	14,666

■ COFFEE (ICO) (US cents/pound)

June 20	Price	Prev. day
Comp. daily	123.64	125.97
15 day average	119.64	119.06

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	12.51	-0.17	12.44	12.41	3,365	80
Oct	12.40	-	-	-	1,101	-
Jan	11.82	-	-	-	-	-
Mar	11.99	+0.01	-	-	60	-
Total					4,626	80

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	350.20	+2.00	350.80	347.40	11,861	842
Oct	325.40	+0.70	326.00	323.30	9,556	469
Dec	318.90	+0.90	319.80	319.00	847	55
Mar	316.50	+1.30	317.00	314.80	2,845	106
May	315.60	+1.00	-	-	201	-
Aug	314.60	+0.50	-	-	306	-
Total					28,472	1,472

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	12.10	+0.04	12.11	11.98	23,342	6,745
Oct	12.16	+0.09	12.18	11.98	75,183	18,116
Mar	11.83	+0.08	11.83	11.70	28,201	3,044
May	11.78	+0.07	11.77	11.72	4,230	118
Jul	11.71	+0.04	11.73	11.67	1,852	2
Oct	11.62	+0.03	11.61	11.55	807	2
Total					133,664	26,626

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	77.14	-0.52	77.95	76.25	6,669	2,374
Oct	76.63	+0.45	76.90	76.05	7,694	2,129
Dec	76.95	+0.62	75.98	74.90	30,305	9,331
Mar	76.60	+0.78	76.90	76.06	4,207	945
May	77.25	+0.65	77.00	76.30	2,088	346
Jul	77.50	+0.65	77.50	76.91	809	271
Total					82,038	16,418

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	90.15	+0.25	90.50	89.25	8,298	1,885
Sep	92.80	+0.25	93.20	91.75	10,884	2,107
Nov	94.80	+0.30	95.20	94.00	2,154	158
Jan	97.25	-	97.50	96.50	3,209	48
Mar	99.45	+0.20	99.80	98.90	1,376	7
May	101.45	+0.20	101.50	101.50	66	14
Total					23,966	4,219

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	64.125	-0.625	64.750	63.950	2,991	1,024
Aug	63.650	-0.550	64.150	63.325	34,056	8,375
Oct	67.625	-0.350	67.975	67.250	16,647	4,163
Dec	68.750	-0.400	69.025	68.550	10,944	1,709
Feb	69.625	-0.275	69.750	69.400	7,536	718
Apr	70.800	-0.175	70.825	70.550	3,419	284
Total					74,271	9,414

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	48.025	-0.800	48.600	47.900	832	348
Jul	47.900	-0.575	48.200	47.500	7,353	2,283
Aug	47.225	-0.400	47.500	46.950	9,116	3,256
Oct	43.925	-0.525	44.450	43.800	4,907	1,114
Dec	44.350	-0.325	44.600	44.075	3,304	225
Feb	44.050	-0.225	44.250	43.600	822	47
Total					28,237	8,039

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	44.000	+0.525	44.375	42.750	3,371	808
Aug	43.350	-	43.650	42.500	3,941	934
Feb	48.950	+0.675	49.000	48.350	523	94
Mar	47.100	-	-	-	37	4
May	50.425	-0.025	50.425	49.800	32	5
Jul	50.700	-	-	50.000	12	2
Total					8,129	2,144

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Aug	Nov	Aug	Nov
1450	46	86	39	56
1475	35	73	52	68
1500	25	62	66	81
■ COPPER (Grade A) LME	**Aug**	**Nov**	**Aug**	**Nov**
2400	88	114	54	110
2450	63	92	78	137
2500	43	73	108	167
■ COFFEE LCE	**Jul**	**Sep**	**Jul**	**Sep**
2250	238	280	144	209
2300	213	258	169	235
2350	189	236	195	265
■ COCOA LCE	**Jul**	**Sep**	**Jul**	**Sep**
975	70	106	30	49
1000	58	92	41	60
1050	34	69	69	87
■ BRENT CRUDE IPE	**Aug**	**Sep**	**Aug**	**Sep**
1650	130	-	18	38
1700	-	97	31	56
1750	47	70	49	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Aug) +or-

Dubai	$16.36-6.44q	+0.185
Brent Blend (dated)	$17.58-7.60	+0.21
Brent Blend (Aug)	$17.58-7.60	+0.22
W.T.I. (1pm est)	$19.76-9.78q	+0.22

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$187-188	+1.0
Gas Oil	$157-159	-1.0
Heavy Fuel Oil	$79-81	+1.0
Naphtha	$165-168	+1.5
Jet Fuel	$169-170	-1.0

Petroleum Argus Estimates

■ OTHER

Gold (per troy oz)♣	$390.70	+0.30
Silver (per troy oz)♣	551.50c	
Platinum (per troy oz.)	$405.85	-2.40
Palladium (per troy oz.)	$139.25	+0.50
Copper (US prod.)	117.0c	-1.0
Lead (US prod.)	35.75c	
Tin (Kuala Lumpur)	14.35m	-0.09
Tin (New York)	259.50c	+1.00
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	123.85p	-2.66*
Sheep (live weight)†♠	101.21p	-11.74*
Pigs (live weight)	79.67p	-2.06*
Lon. day sugar (raw)	$306.10	-8.50
Lon. day sugar (wte)	$355.60	-4.40
Tate & Lyle export	$312.00	-4.00
Barley (Eng. feed)	£105.5t	
Maize (US No3 Yellow)	$143.0	
Wheat (US Dark North)	£180.0	
Rubber (Jul)♥	77.50p	+0.25
Rubber (Aug)♥	77.50p	-0.25
Rubber(KL RSS No1 Jul)	274.50m	+0.50
Coconut Oil (Phil)§	$620.0z	-20.0
Palm Oil (Malay.)§	$510.0q	-27.5
Copra (Phil)§	$406.0	
Soyabeans (US)	£190.0z	-7.0
Cotton Outlook A Index	85.60c	-0.85
Wooltops (64s Super)	422p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. q Aug. t Oct/Dec z Jun/Jul. w Jul. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week, provisional prices.

Minor Metals

European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.6%, $ per tonne, 3,300-3,400 (3,100-3,300). Bismuth: min. 99.99%, tonne lots 2.30-2.45. Cadmium: min. 99.5%, 67-77 cents a pound. Cobalt: MB free market, 99.8%, 24.00-24.90 (24.20-25.00); 99.3%, 19.30-20.20 (19.50-20.40). Mercury: min. 99.99%, $ per 76 lb flask, 105-120. Molybdenum: drummed molybdic oxide, 3.40-3.50 (3.30-3.40). Selenium: min 99.5%, 3.50-4.45 (3.50-4.55). Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 37-47 (39-45). Vanadium: min. 98%, cif, 1.40-1.50. Uranium: Nuexco exchange value, 7.00.

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

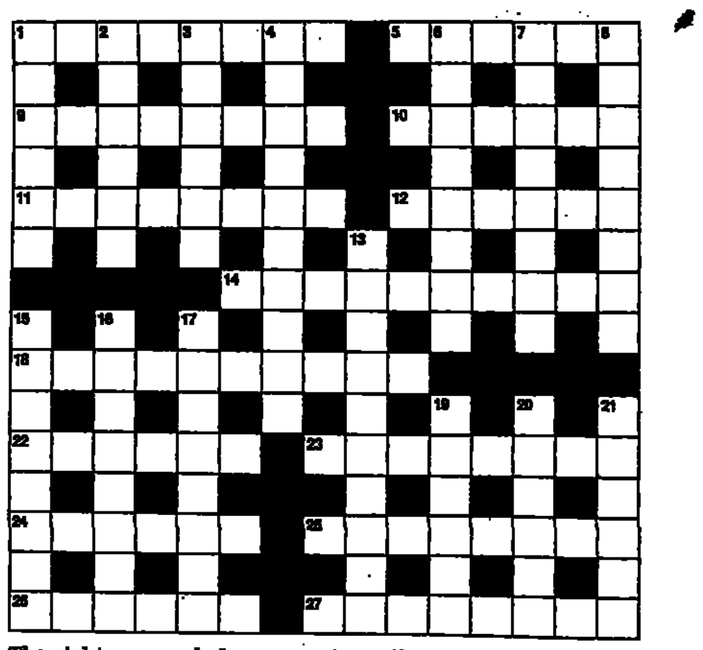
Jun 21	Jun 20	month ago	year ago
2008.8	2026.5	2004.5	1662.7

■ CRB Futures (Base: 4/9/56=100)

Jun 20	Jun 17	month ago	year ago
234.87	239.38	238.38	205.64

CROSSWORD

No.8,486 Set by GRIFFIN



The eight one-word clues are not cryptic and are not synonyms of the answers, which are all of a kind

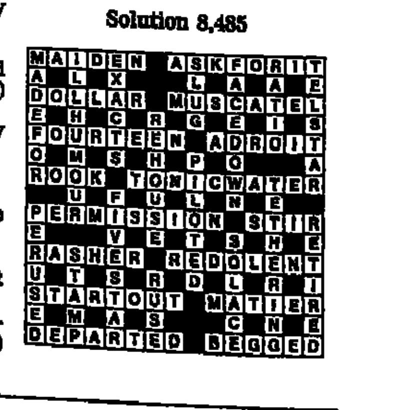
ACROSS

1 Left drunk bumming around and speaking indistinctly (8)
5 Kittens (6)
9 In a filthy place it can replace holiness (8)
10 Courage of first person to enter jet (6)
11 Mysterious elixir initially drunk by man (8)
12 Body volunteers to back style of TV show (6)
14 Deems model to be interfering (10)
18 Larks (10)
22 Keen but unable to decide, try taking time off (6)
23 It's round something many people will read (8)
24 Moles (6)
25 Negotiating North Gateshead journalist finds it crowded (8)
26 Gulls (6)
27 Devoted admirer wants party in one later (8)

DOWN

1 Peacocks (6)
2 He wisely advises soldiers to start running! (6)
3 Pigs (6)
4 Teachers being on edge sent out for food (10)
6 Begged politician in oil production to read article out (8)
7 Prison wants running water allowance raised (8)
8 Qualified for championship being in goal (8)
13 Including many a beautiful youth he'd warned .... (10)
15 .... of head lice chap needs treatment for (8)
16 "An individual" one scoffed! (8)
17 Introduce broadcast run by top performer (4,4)
19 Whales (6)
20 Swallows (6)
21 Lift engineers on a river vessel (6)

Solution 8,485



JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Dollar uncertainty weakens share prices again

By Terry Byland, UK Stock Market Editor

An attempt to rally from Monday's setback in the UK equity market was thwarted yesterday afternoon when renewed selling of the dollar undermined both shares and government bonds in London. Trading volume increased sharply from the low level of the previous session.

At the day's low, the FT-SE 100 Index was barely 5 points above the closing low for the year of 2,931.9, recorded at the beginning of this month. A very modest rally left the index finally at 2,940.2 yesterday, a loss of 30.9 on the session.

Once again, domestic factors took a back seat in a market now thoroughly unnerved by the focus on the US currency and bond markets. There was little response to the announcement of an unexpectedly high deficit of £767m on UK non-European Union trade in May.

UK stocks opened higher behind a better tone at the close of the New York bond market. Some modest bargain hunting was reported but share prices soon drifted off as London awaited the opening of the new Wall Street session in bonds and equities.

The blow to confidence was delivered by the gilt-edged sector, which followed other European bonds in reacting sharply to news that the US current account deficit for the first quarter was the worst figure for five years. As long-dated gilts, steady in early trade, plunged by around a full point, the equity market turned off. An early premium on the September future on the Footsie futures contract quickly turned to a discount, and the Footsie fell away steadily to show a net loss of 34.4.

The broader market followed the blue chip sector downwards, although the focus on futures-related stocks took some of the pressure off the second liners. The FT-SE Mid 250 Index closed 16.8 off at 3,461.9.

Trading volume was very slow to gather speed, and Seaq volume was still under 300m shares at midday. But increased selling in the afternoon took the final Seaq figure to 544.5m shares. On Monday, Seaq volume of 460.1m shares reflected genuine retail, or customer, business worth only £856.5m.

This placed Monday's turnover among the lowest daily totals for the year and bore out indications that fund managers had simply stayed out of the market as the Footsie Index crumbled by nearly 52 points.

Several leading commentators on the UK stock market repeated earlier advice that shares are cheap and should be bought at these levels. Clear signs of bargain hunting brought a few share gains but the buyers were highly selective and soon vanished when the market came under pressure again.

There were widespread falls across the leading sectors of the London market. Weakness on Wall Street overnight, carried through into a fall of 13 points on the Dow during London hours yesterday, brought further losses in the blue chip oil stocks whose strength sustained the market last week. Nervousness over the dollar was heightened by reports that the US press had quoted an unnamed Federal Reserve official as confirming the Fed's worries over the dollar and readiness to raise interest rates to protect it.

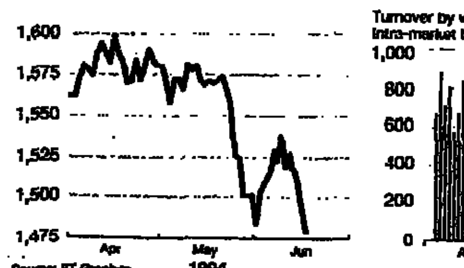
UK strategists could see no reason why the bearish mood in European bond markets should change overnight. Mr Alan Greenspan, chairman of the Federal Reserve, will today address US House Budget Committee.

Account Dealing Dates

*First Dealings: Jun 6	Jun 20	Jul 4
Option Declarations: Jun 16	Jun 30	Jul 14
Last Dealings: Jun 17	Jul 1	Jul 15
Account Day: Jun 27	Jul 11	Jul 25

*New time dealings may take place from two business days earlier.

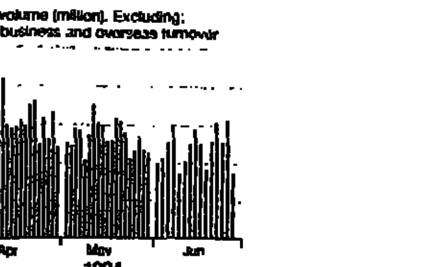
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	2940.2	-30.9	FT Ordinary Index	2295.9	-20.2
FT-SE Mid 250	3461.9	-16.8	FT-SE-A Non Fins p/e	18.88	(19.01)
FT-SE-A 350	1484.7	-13.7	FT-SE 100 Fut Sep	2938.0	-35.0
FT-SE-A All-Share	1478.03	-13.09	10 yr Gilt yield	9.01	(8.93)
FT-SE-A All-Share yield	3.99	(3.95)	Long gilt/equity yld ratio:	2.23	(2.25)

Best performing sectors		Worst performing sectors	
1 Property	+0.3	1 Gas Distribution	-2.6
2 Other Financial	+0.1	2 Tobacco	-2.4
3 Telecommunications	+0.0	3 Extractive Inds	-2.3
4 Retailers, General	-0.0	4 Banks	-2.0
5 Building Materials	-0.1	5 Engineering, Vehicles	-1.8

Tussle in Arjo Wiggins

A tussle developed over Arjo Wiggins Appleton's share price yesterday between two of the City's blue chip investment firms – S.G. Warburg and Cazenove. The struggle prompted unusually high turnover of 4.1m shares on an otherwise quiet day.

In the pessimist's corner, Warburg was arguing that the recent rise in paper prices had been discounted in the share price of the paper manufacturer and distributor. The securities house told clients that on the basis of the Warburg current-year profits forecast of £170m, Arjo was on an expensive p/e ratio of 21 times earnings. For this reason, Warburg has turned seller.

In the optimist's corner, Cazenove, which never comments on market reports, was believed to have raised its 1994 profits prediction by £10m to £175m.

On balance, Warburg appeared to be victor in the market skirmish as Arjo Wiggins shares underperformed a falling market to end the session 6 cheaper at 258p.

Dollar stocks hit

Weakness in the US dollar, which fell to a 50-year low against the Japanese yen, hit companies with a big US presence. Among the main victims were leading oil issues, which are big dollar earners and consequently failed to benefit from the rising price of Brent crude. Near-month Brent prices hung just below $18 a barrel, but Shell Transport, which is hosting a meeting for analysts in the US this week, ticked back 13½ to 682½, while BP dipped 5½ to 398½p.

Bowater, the printing and packaging group, shed 15 to 435p ahead of a visit by analysts to one of its US plants. Elsewhere, internationally traded stocks RTZ and Reuter International moved back 18 to 832p and 10½ to 446½p and Carlton Communications fell 11 to 830p. And BAT Industries lost the benefit of a recommendation from one leading securities house, turning round from an early 10p rise to close 9½ off at 391½p.

Barclays was one of the big casualties in the FT-SE 100 as marketmakers chopped prices in disappointment that the bank had finally lost its tax battle with the state of California. Although the news is not expected to make a material difference to the bank's profits the shares fell 14½ to 531½p.

TSB shed 2½ to 222½p ahead of tomorrow's first-half figures as Lehman Brothers reiterated its cautious stance on profits from the pick-up in the housing market. Lehman forecasts profits of £215m against a wide range of between £195m and £235m. It acknowledges that there is mortgage volume growth but says this has been undermined by increased competition from the likes of Direct Line, the subsidiary of Royal Bank of Scotland which outperformed its rivals with a fall of only 3½ to 428½p.

Lehman adds that Abbey National which fell 9½ to 405½p and Bank of Scotland, which slid 3 to 183p, also face tighter margins.

Food manufacturer Hazlewood Foods lost ground after warning that trading in the first months of this year was "significantly below" expectations. The shares closed 21 lower at 123p with a hefty 4.7m shares traded.

Profits came in at the lower end of market forecasts at £48.1m – a fall of 7 per cent on the previous year – mostly due to a £3m exceptional charge. Sales rose 5 per cent to £800m. The dividend also rose 5 per cent, to 6.7p.

Shares in building group Tarmac closed at 144p, a rise of 7 which dealers put down to a technical bounce after recent weakness. There was also talk of one broker, believed to be NatWest Securities, moving the stock from a sell to a hold.

Thorn EMI held steady in a weak leisure sector. The shares fell only 5 to 1034p following the defeat of rock star George Michael in his legal battle with Sony.

There were fears that if Michael was able to break his contract with Sony, other record companies would suffer a musical brain drain.

Manweb continued the reginal electricity companies' (Recs) results season, delivering a 16 per cent rise in the dividend to 24.35p, while profits were increased from £111.2m to £126.3m. The shares advanced 2 to 681p. In a brighter day for the Recs, East Midlands put on 11 to 579p and Yorkshire added 8½ to 559p.

Some cautious comment on British Steel's figures released on Monday, together with general profit taking, left the shares trailing 3 to 136p, after trade of 7.2m.

New FT-SE 100 constituent GKN relinquished 13 to 581p, as Monday's buying by index funds faded. "Lively demand" is how one trader described the day's business in engineering group FKI. The shares improved 2 to 170p, with turnover standing at 4m by the close.

Shares in freight group NFC shrugged off recent weakness to close 5 ahead at 187p, after James Capel published a buy recommendation.

The agency broker said the decline in the shares implied that the recent concerns over the pension credits "are discounted and we are beginning to see signs of the new management strategy producing results".

Dealers in Eurotunnel continued to suggest that the take-up of the Channel tunnel's £858m rights issue which closes today would be poor. The shares eased another 7 to 276p.

A big seller and news that Rentokil had made five acquisitions worth £4.3m saw the shares fall 7½ to 199½p.

Bank note manufacturer De La Rue stood out against the trend as a shortage of stock saw the share price squeezed 14 higher to 882p. Buying was prompted by talk of a recommendation and forecast upgrade from agency broker Henderson Crosthwaite as well as encouraging news over the growth of "smart" cards, manufactured by De La Rue.

Other big moves

Furniture maker Silentnight was one of the main losers in the London market after issuing a profits warning at its annual meeting. The shares were off 34 and touched an 18-month low before rallying to close 24 off at 219p.

Disappointment over its half year figures saw shares in Quality Care, the nursing home group, fall 23 to 290p.

Lamont Holdings the textile group, lost 21 to 403p after it was announced that investment institution M&G had sold 175,000 shares reducing its stake to 3.9m or 12.98 per cent.

MARKET REPORTERS:
Peter John,
Christopher Price,
Joel Kibazo.

■ Other statistics, Page 21

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (21).
BANKS (1) Banco Santander, BREWERIES (1) Holt (J), BLDG MATLS & MCHTS (1) Shaw (A), DISTRIBUTORS (2) Fober Prest, Polar, ELECTRNC & ELECT EQUP (1) Plasmec, ENGINEERING (1) Sterling Inds, EXTRACTIVE INDS (4) INVESTMENT TRUSTS (1) LEISURE & HOTELS (1) Euro Disney, MEDIA (1) Metro Radio, OTHER SERVS & BUSNS (1) RETAILERS, GENERAL (2) Etam, Vendome Luxury, TEXTILES & APPAREL (3) Dewhirst, Horace Small Apparel, Wensum, AMERICANS (1).

NEW LOWS (404).
GILTS (13) OTHER FIXED INTEREST (10) BANKS (7) BREWERIES (2) Marston Thompson, Vaux, BUILDING & CNSTRN (13) BLDG MATLS & MCHTS (16) CHEMICALS (2) BTP, Scapa, DISTRIBUTORS (7) BSS, Sidgand, Cowie, Diploma, European Motor, Harris (P), Welpac, DIVERSIFIED INDLS (5) ELECTRNC & ELECT EQUP (8) BICC Cap. Fin. 10¼pc Cnv. 2020, Dowding & M., Grasby, Siemens, Silverimines, Verity, ENGINEERING (8) Black & Decker, Colorgen, Hunting 8¼pc Prf., IMI, Meggitt, Rubicon, Weir, Wheeloe, ENG, VEHICLES (4) BSA, Do 6¾pc Prf., Lucas, Do Wrts., EXTRACTIVE INDS (8) FOOD MANUF (12) GAS DISTRIBUTION (2) British Gas, Calor, HEALTH CARE (4) Enviromed, ML Labs., Quality Care Homes, Tepnel Diagnostics, HOUSEHOLD GOODS (4) Black (P), Lilliput, Reckitt & Colman 9½pc Cnv. Bd., Silentnight, INSURANCE (6) INVESTMENT TRUSTS (191) INVESTMENT COMPANIES (3) LEISURE & HOTELS (1) Groupe Chez Gerard, LIFE ASSURANCE (8) MEDIA (6) Carlton Comms. 5¼p Prf., Daily Mail A, News Corp, News Intl., Reed Intl., Thomson, MERCHANT BANKS (3) OIL EXPLORATION & PROD (1) Command, OTHER FINANCIAL (3) OTHER SERVS & BUSNS (1) PHARMACEUTICALS (3) PRTNG, PAPER & PACKG (3) Parkside Intl., Plyau, Storm B, PROPERTY (16) RETAILERS, FOOD (2) Brake Bros., Regina, RETAILERS, GENERAL (12) SPIRITS, WINES & CIDERS (3) Bulmer (HP), Guinness, Marydown, SUPPORT SERVS (12) TELECOMMUNICATIONS (3) Securicor A, Security Services, Vodafone, TEXTILES & APPAREL (6) Claremont Garments, Leslie Wise, Lister, Lowe (RH), Readicut, Shani, TOBACCO (1) BAT, TRANSPORT (2) Mersey Docks & Harbour, Ocean Wilsons, WATER (2) Thames, Welsh, AMERICANS (5) CANADIANS (11).

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures traded at a discount to cash for most of the session and pulled the cash market lower, with dealers concerned by the weak dollar and falls in bonds, *writes Joel Kibazo.*

The September contract on the FT-SE 100 Index started trading at 2,972 and briefly moved ahead to 2,982, a small premium to cash, as some dealers adjusted their books.

There after the direction was downward for the rest of the day, with trading influenced by currency factors and declining bonds. The uncertain near term outlook for interest rates and inflation was also cited as a factor for the poor business in the morning.

September tumbled heavily in the afternoon after Wall Street opened lower, and dragged the cash market below the 2,950 level.

The future finished at 2,938, down 35 from its previous close and at a 14-point discount to its fair value premium of about 13 points.

Volume fell to 14,339 contracts, highlighting the decision of many institutions to remain on the sidelines.

It was also a poor day in the traded options, where turnover eased back to 29,929 contracts, of which 13,743 were dealt in the FT-SE 100 option.

A seller of the August 180 calls in Rolls-Royce made it the most active stock option with a closing total of 2,567 lots transacted.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	2972.0	2938.0	-35.0	2982.0	2919.0	14339	49939
Dec	-	2947.0	-35.0	-	-	0	952

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		3450.0	-15.0			0	3898

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		3460.0					577

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*2938) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

[illegible]

TRADING VOLUME

■ **Major Stocks Yesterday**

	Vol. 000s	Closing price	Day's change
ASDA Group†	8,000	65½	+½
Abbey National†	1,600	405½	-9½
Albert Fisher	2,300	51	-1
Allied-Lyons†	1,400	688	+1
Anglian Water	757	470	-10
Argos	484	333	+1½
Argyll Group†	3,300	242	-2
Arjo Wiggins†	4,100	258	-6
Assoc. Brit. Foods†	362	505	-3
Assoc. Brit. Ports	2,800	235	+3
BAA†	1,000	908	-6
BAT Inds.†	7,400	391½	-9½
[illegible]			

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	16	35	20
Other Fixed Interest	0	12	3
Mineral Extraction	34	93	73
General Manufacturers	68	196	393
Consumer Goods	26	93	93
Services	55	142	311
Utilities	14	22	10
Financials	66	122	183
Investment Trusts	18	292	172
Others	16	56	29
Totals	310	1,074	1287

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

[illegible]

FINANCIAL TIMES EQUITY INDICES

[illegible]

FT - SE Actuaries Share Indices — The UK Series

[illegible]

■ **FT-SE Actuaries All-Share**

[illegible]

■ **Hourly movements**

[illegible]

■ **FT-SE Actuaries 350 Industry baskets**

[illegible]

FT GOLD MINES INDEX

[illegible]

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 High	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£29¾	-⅜	£29¾	£20⅞	6,127	5.4	♦
ANZ A$		182	-3½	278½	180½	2,419	5.1	14.0
Abbey National	♣N☐	485½	-9½	527	387	6,328	4.3	19.8
Allied Irish IE	♣N☐	261	-2	314	240	1,888	5.2	9.3
Anglo Irish IE	N☐	52xd	—	*70	50	170.9	8.3	9.5
Asahi Y		751¾	+31¾	781½	628	17,448	0.8	♦
Banco Bil Viz Pta		£15⅝	+⅛	£18⅛	£14⅞	3,512	6.4	6.8
Banco Sant Pta		£30½	+2⅞	*£30½	£23¼	4,609	4.7	10.6
Bk Ireland IE	♣☐	260xd	—	*319	240	1,230	6.0	7.6
Bank Scotland	♣N☐	189xd	-3	247	172½	2,131	3.4	13.0
9¼pc Pf		114¼	-½	141½	114	114.2	10.1	–
9¾pc Pf		119½	-½	148½	119¾	119.5	10.2	–
Barclays	♣N☐	551½	-14½	649	487	8,847	3.6	22.0
Dai Ichi Kan Y		£12⅜	+⅛	£13⅜	£10⅜	38,838	0.4	69.0
Deutsche DM		£279⅜	-8¼	£344¾	£279⅜	13,382	2.2	–
Espirito Santo		£18⅛	+⅛	£26⅛	£18⅛	299.0	4.3	4.5
First Nat Fin	N☐	75	-1	*90	60	194.4	2.6	–
6.3pc Cv Pf		80xd	—	*98	77	5.38	9.8	–
7pc Cv Pf		140xd	-1	171	123	69.4	6.2	–
Fuji Bank Y		1481¼	+6	1649¾	1152½	42,328	0.4	♦
HSBC HK	N☐	704½	-9½	1133	687	12,328	4.2	12.2
HSBC (75p Shs)	N☐	684	-10	1113	668	8,763	4.3	11.8
Lloyds	N☐	549½	-12	660	530	7,098	5.0	11.6
Mitsubishi Y		£17⅛	+⅛	£19⅝	£15⅝	49,221	0.3	♦
Mits Tst & Bk Y		1036½	-4	1182¼	887½	13,472	0.5	16.6
Mitsui Tst & Bk Y		808¼	+13¾	879	514	9,834	0.7	27.4
Nat Aust A$	†	505¼xd	+5¼	628¼	502½	6,735	4.7	12.8
NatWest	N☐	457½	-11½	622	421	7,513	5.1	10.3
Ottomane FFr		£23½	—	£33	£23½	117.5	6.2	♦
Ryl Bk Scotland	♣†N☐	428½xd	-3½	525	382½	3,416	3.5	19.4
Sakura Y		£9⅝	+⅛	£9⅞	£8⅛	28,129	0.6	54.9
Sanwa Y		£14	+⅛	£15⅛	£11⅞	40,832	0.4	♦
Standard Chartd	N☐	252	-15	*359¼	223	2,421	3.0	11.1
7 3/8pc Prf		68½	-½	100½	68¼	68.5	10.3	–

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

GUIDE TO LONDON SHARE SERVICE

Z Dividend yield to date.

K Yield based on prospectus or other official estimates for 1994

L Estimated annualised yield, p/e based on latest annual earnings.

M Yield based on prospectus or other official estimates for

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

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FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ([illegible]) - 0001 to 1100 hours; ([illegible]) - 1101 to 1400 hours; ([illegible]) - 1401 to 1700 hours; ([illegible]) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

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LUXEMBOURG (REGULATED)(**)

OTHER OFFSHORE FUNDS

FT MANAGED FUNDS SERVICE

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Scottish Mutual Assurance plc

109 St Vincent St, Glasgow 041-248 6321

Scottish Provident Group

6 St Andrew Sq, Edinburgh 031-556 9052

Sun Alliance Group - Contd.

Sun Life Unit Assurance Ltd

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

	Bid Price	Offer Price	+ or -	Yield Gross
Scrimgeour Kemp-Gee Mngmt., Jersey				
S&G Capital Fund	[illegible]	[illegible]	–	
S&G Income Fund	[illegible]	[illegible]	–	6.50
TSB Trust Funds (CI)				
TSB Jsy Equity Fd	55.4	58.3	–	1.65
TSB G'sey Equity Fd	55.4	58.3	–	1.65
TSB [illegible]	604.0	[illegible]	-4.0	–
TSB Gilt Fd (Jsy) Ltd	102.43	[illegible]	[illegible]	7.36
Warburg Asset Management Jersey Ltd				
Energy Int	$130.22	137.70	-0.04	–
Mercury Bond Jun 15	[illegible]	[illegible]	-0.09	5.76
[illegible]	[illegible]	[illegible]	+0.01	–
[illegible]	[illegible]	1.70	–	–
[illegible]				
Cont Europe Fd	[illegible]	[illegible]	-0.94	–
Nth America Fd	[illegible]	[illegible]	-1.00	–
Japan Fd	[illegible]	[illegible]	-0.73	–
Pacific Fd	[illegible]	[illegible]	[illegible]	–
Reserve Fd	[illegible]	[illegible]	-0.01	–
Worldinvest (Managers) Jersey Ltd				
[illegible]	$244.37	245.80		0.12
[illegible]	$77.90	78.39	-1.75	–
[illegible]	$10.86	11.03	-0.34	5.46

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

Dollar dips below Y100

The dollar plunged through its postwar low against the yen in late European trading yesterday as markets attempted to tease out central bank action in its support, *writes Motoko Rich.*

After closing in London at Y101.225, down from *Y101.970,* the dollar crashed through the psychological barrier of Y100 and hovered below the post-1945 low of Y100.35.

Analysts were puzzled by the dollar's fall as it defied economic fundamentals, namely a narrowing of the US trade gap with Japan. As central banks remained silent, economists warned of a crisis of confidence *in the US currency if concerted* intervention did not occur.

The Australian dollar reached its highest levels against the US dollar since August 1992, around $0.744, after reports from the Australian reserve bank suggested interest rates would rise sooner rather than later.

■ A narrowing of the US's trade gap with Japan was set in a context of a wider than expected US April trade gap and the highest current account gap in five years.

The US's trade gap rose 22.1 per cent to $8.40bn, from March's downwardly revised figure of $6.87bn. The trade gap with Japan narrowed by 5.6 per cent to $5.48bn.

The markets ignored the Japan figure, and chose to focus on the overall trade number, as well as the US's first quarter current account gap of $31.90bn, cited at its highest in five years.

Mr Jeremy Hawkins, economist at Bank of America, said all of these figures were sufficiently close to market expectations and therefore were treated as excuses rather than specific triggers for the dollar's *fall against the yen.*

Shaky political conditions in Japan made the dollar vulnerable with markets expecting an imminent vote of no-confidence in prime minister Tsutomu Hata's government. "Anything that brings forward the collapse of the Hata government is probably bad for the resolution of the trade dispute" with the US, said Mr Chris Turner, currency strategist at BZW.

The bearish market, which was wary of central bank intervention earlier in the day, battered the dollar in late trading to test the resolve of the banks.

"The bottom line is that the central banks must come through with aggressive intervention," said Mr Paul Chertkow, head of global currency research at UBS. "They must go in together and stay in to push the dollar to higher technical levels."

Without such action, Mr Chertkow warned that the dollar would test new lows against the yen and the D-Mark. "The dollar will continue to slide and will move as low as Y90 or even Y80."

A report was circulating in the late afternoon that a senior official at the Fed had said it was unlikely to raise interest rates merely in response to the dollar's weakness.

■ Reports from the Australian reserve bank saying it would raise interest rates sooner rather than later and rising commodity prices *buoyed the* Australian dollar to its highest level against the US dollar since August 1992.

The Australian dollar was trading against the US dollar at $0.743-0.744. "Most economists had expected no change in rates until the fourth quarter of this year," said Mr Turner. "But now there is speculation that it is imminent."

■ The D-Mark remained strong on the crosses, showing little reaction to news that the German M3 money supply data for May rose a smaller than expected 13.7 per cent from 15.4 per cent in April.

"The response to the M3 was muted," *said Mr Hawkins.* "The headline figure was below expectations but some of the components were still high, which suggests that any movements downward in the money supply are going to come about quite slowly, so the market impact was quite limited."

Against the French franc, the D-Mark ended in London at FFr3.418 from FFr3.417. Against the Belgian franc, it ended at BFr20.59 from BFr20.61 and at L987.4 from L989.4.

■ The Bundesbank announced that it was setting a tender for 14-day variable repos to replace DM64.2bn in funds which expire today. Analysts are expecting another cut of five basis points today from last week's 5.05 per cent.

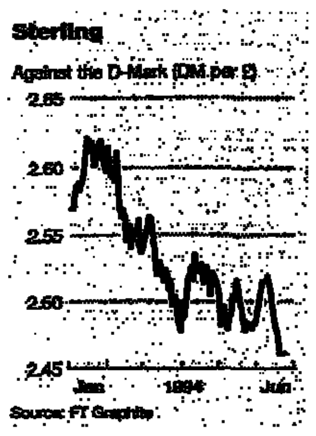
German call money was little changed at 5.00/5.10 per cent.

■ Sterling followed the dollar's trend against the D-Mark for most of the day, pushed downward by a disappointing non-EU trade deficit.

Against the D-Mark, the pound finished in London at DM2.4612, from DM2.4606. The pound was little changed against the dollar, closing in London at $1.5374, just slightly off from $1.5393.

In the UK money markets, the Bank of England provided assistance of £515m at established interest rates after it forecast a shortage of around £500m. The overnight lending rate traded between 5 and 3 1/2 per cent.

The short term sterling contract *for December settled at* 93.68 from 93.70. The December Euromark contract closed unchanged at 94.78.



Source: FT Graphite

■ Pound in New York

Jun 21	— Latest —	— Prev. close —
£ spot	1.5445	1.5367
1 mth	1.5437	1.5359
3 mth	1.5424	1.5346
1 yr	1.5366	1.5276

■ OTHER CURRENCIES

Jun 21	£	$
Hungary	157.399 - 157.537	102.4000 - 102.450
Iran	2685.00 - 2692.88	1748.00 - 1750.00
Kuwait	0.4553 - 0.4562	0.2962 - 0.2967
Poland	34548.3 - 34598.3	22475.0 - 22500.0
Russia	3019.45 - 3024.05	1964.00 - 1967.00
U.A.E.	5.6187 - 5.6301	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Jun 21		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.3181	+0.0084	108 - 253	17.3807	17.2946	17.3143	0.3	17.3087	0.2	-	-	114.7
Belgium	(BFr)	50.6712	-0.0625	490 - 934	50.8280	50.6280	50.6612	0.2	50.7082	-0.3	50.5412	0.3	116.0
Denmark	(DKr)	9.6665	+0.0075	619 - 711	9.6910	9.6580	9.6742	-1.0	9.6879	-0.9	9.702	-0.4	116.1
Finland	(FM)	8.1905	-0.0388	812 - 998	8.2400	8.1770	-	-	-	-	-	-	81.1
France	(FFr)	8.4123	+0.0024	079 - 166	8.4348	8.3931	8.4168	-0.6	8.4221	-0.5	8.4052	0.1	109.4
Germany	(DM)	2.4612	+0.0006	601 - 622	2.4710	2.4582	2.4608	0.2	2.4603	0.1	2.441	0.8	124.9
Greece	(Dr)	372.589	+0.706	286 - 892	373.693	372.221	-	-	-	-	-	-	-
Ireland	(I£)	1.0173	-	165 - 180	1.0208	1.0163	1.0177	-0.4	1.0185	-0.5	1.0197	-0.2	104.5
Italy	(L)	2430.40	-5.04	923 - 157	2434.92	2423.91	2437.1	-3.3	2449.85	-3.2	2499.25	-2.8	78.7
Luxembourg	(LFr)	50.6712	-0.0625	490 - 934	50.8280	50.6280	50.6612	0.2	50.7082	-0.3	50.5412	0.3	116.0
Netherlands	(Fl)	2.7591	-	576 - 605	2.7680	2.7558	2.7596	-0.2	2.7581	0.1	2.7374	0.8	120.0
Norway	(NKr)	10.7012	+0.0039	964 - 059	10.7370	10.6625	10.6955	0.6	10.7081	-0.3	10.6992	0.0	96.2
Portugal	(Es)	255.393	-0.816	266 - 520	256.195	254.972	256.368	-4.6	258.313	-4.6	-	-	-
Spain	(Pta)	205.051	-0.17	895 - 206	205.236	204.525	205.561	-3.0	206.531	-2.9	209.801	-2.3	84.8
Sweden	(SKr)	11.8461	-0.0605	407 - 554	11.8963	11.8405	11.8711	-2.5	11.9061	-2.0	12.0041	-1.3	75.1
Switzerland	(SFr)	2.0747	-0.0005	735 - 759	2.0837	2.0730	2.0737	0.6	2.0709	0.7	2.0481	1.3	120.0
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.9
Ecu	-	1.2833	+0.0005	825 - 841	1.2884	1.2816	1.2845	-1.1	1.2805	0.9	1.2855	-0.2	-
SDR†	-	0.934248	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5344	-0.002	340 - 348	1.5362	1.5324	-	-	-	-	-	-	-
Brazil	(Cr)	3698.47	+64.18	773 - 920	3703.00	3625.00	-	-	-	-	-	-	-
Canada	(C$)	2.1348	-0.0129	340 - 356	2.1392	2.1285	2.137	-1.3	2.1438	-1.7	2.1731	-1.8	85.8
Mexico	(New Peso)	5.1849	+0.0061	800 - 897	5.1921	5.1785	-	-	-	-	-	-	-
USA	($)	1.5374	-0.0019	371 - 377	1.5391	1.5346	1.5366	0.6	1.5353	0.6	1.5291	0.5	64.0
Pacific/Middle East/Africa													
Australia	(A$)	2.0682	-0.0176	671 - 693	2.0886	2.0662	2.0675	0.4	2.0659	0.4	2.065	0.2	-
Hong Kong	(HK$)	11.8813	-0.0145	782 - 844	11.8942	11.8657	11.8732	0.8	11.8694	0.4	11.8962	-0.1	-
India	(Rs)	48.2263	-0.0561	111 - 415	48.2740	48.1630	-	-	-	-	-	-	-
Japan	(Y)	155.624	-1.334	555 - 692	157.570	155.540	155.259	2.8	154.434	3.1	150.339	3.4	187.8
Malaysia	(M$)	3.9896	-0.0046	880 - 911	3.9940	3.9818	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5832	-0.0023	812 - 852	2.5913	2.5810	2.5825	0.3	2.586	-0.4	2.5926	-0.4	-
Philippines	(Peso)	41.5089	-0.2039	943 - 254	42.0284	40.8611	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7660	-0.0067	646 - 673	5.7721	5.7579	-	-	-	-	-	-	-
Singapore	(S$)	2.3503	-0.001	490 - 515	2.3630	2.3464	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.6212	+0.0156	189 - 234	5.6262	5.5956	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.2873	+0.0143	705 - 041	7.3060	7.2696	-	-	-	-	-	-	-
South Korea	(Won)	1241.07	-5.27	044 - 169	1245.26	1239.67	-	-	-	-	-	-	-
Taiwan	(T$)	41.5679	-0.0664	563 - 794	41.6146	41.5116	-	-	-	-	-	-	-
Thailand	(Bt)	38.5426	-0.0926	197 - 655	38.5980	38.5140	-	-	-	-	-	-	-

†SDR rate for Jun 20. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jun 21		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	11.2645	+0.019	620 - 670	11.3080	11.2480	11.269	-0.5	11.277	-0.4	11.2145	0.4	103.9
Belgium	(BFr)	32.9590	-0.001	510 - 670	33.0940	32.9250	32.9825	-0.9	33.029	-0.8	33.074	-0.3	105.3
Denmark	(DKr)	6.2876	+0.0125	858 - 893	6.3108	6.2755	6.2966	-1.7	6.3156	-1.8	6.3601	-1.2	104.9
Finland	(FM)	5.3275	-0.0188	225 - 325	5.3685	5.3200	5.3307	-0.7	5.3435	-1.2	5.41	-1.5	75.4
France	(FFr)	5.4718	+0.0082	700 - 735	5.4910	5.4550	5.4772	-1.2	5.4862	-1.1	5.443	0.5	105.9
Germany	(D)	1.6009	+0.0023	005 - 012	1.6082	1.5980	1.6019	-0.7	1.6027	-0.4	1.5975	0.2	106.2
Greece	(Dr)	242.350	+0.75	200 - 500	243.100	241.800	243.7	-6.7	244.55	-3.6	246.85	-1.9	69.2
Ireland	(I£)	1.5114	-0.0018	105 - 122	1.5131	1.5057	1.51	1.1	1.5073	1.1	1.4989	0.8	-
Italy	(L)	1580.85	-1.38	040 - 130	1585.00	1576.75	1585.95	-3.9	1595.85	-3.8	1635.6	-3.5	77.1
Luxembourg	(LFr)	32.9590	-0.001	510 - 670	33.0940	32.9250	32.9825	-0.9	33.029	-0.8	33.074	-0.3	105.3
Netherlands	(Fl)	1.7946	+0.0021	940 - 952	1.8023	1.7917	1.7956	-0.7	1.7968	-0.4	1.7914	0.2	105.1
Norway	(NKr)	6.9606	+0.0109	588 - 623	6.9925	6.9282	6.9651	-0.8	6.9796	-1.1	6.8798	1.2	96.4
Portugal	(Es)	166.120	-0.33	070 - 170	166.750	165.770	167.775	-12.0	170.195	-9.8	174.47	-5.0	92.9
Spain	(Pta)	133.375	+0.05	300 - 450	133.650	133.030	133.77	-3.6	134.535	-3.5	137.3	-2.9	80.0
Sweden	(SKr)	7.7068	-0.0106	033 - 098	7.7439	7.6978	7.7246	-2.8	7.7576	-2.6	7.9058	-2.6	80.4
Switzerland	(SFr)	1.3495	+0.0013	490 - 500	1.3566	1.3477	1.3495	0.0	1.349	0.1	1.3403	0.7	105.7
UK	(£)	1.5374	-0.0019	371 - 377	1.5391	1.5348	1.5366	0.6	1.5353	0.6	1.5291	0.5	88.4
Ecu	-	1.1980	-0.002	975 - 985	1.1995	1.1940	1.1964	1.7	1.1936	1.5	1.2073	-0.8	-
SDR†	-	1.43622	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9981	-0.0001	980 - 981	0.9982	0.9980	-	-	-	-	-	-	-
Brazil	(Cr)	2405.66	+44.58	565 - 567	2405.70	2405.60	-	-	-	-	-	-	-
Canada	(C$)	1.3886	-0.0067	883 - 888	1.3900	1.3863	1.3907	-1.8	1.3966	-2.3	1.4221	-2.4	82.1
Mexico	(New Peso)	3.3725	+0.008	700 - 750	3.3750	3.3680	3.3735	-0.4	3.3753	-0.3	3.3827	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.6
Pacific/Middle East/Africa													
Australia	(A$)	1.3453	-0.0099	448 - 457	1.3591	1.3438	1.3456	-0.3	1.3458	-0.1	1.3495	-0.3	88.4
Hong Kong	(HK$)	7.7282	-0.0001	277 - 287	7.7292	7.7273	7.7277	0.1	7.7302	-0.1	7.7444	-0.2	-
India	(Rs)	31.3688	+0.0013	650 - 725	31.3725	31.3650	31.4488	-3.1	31.5938	-2.9	-	-	-
Japan	(Y)	101.225	-0.745	200 - 250	102.200	101.200	101.04	2.2	100.6	2.5	98.385	2.8	147.5
Malaysia	(M$)	2.5950	-	945 - 955	2.5970	2.5915	2.5875	3.5	2.584	1.7	2.615	-0.8	-
New Zealand	(NZ$)	1.6803	+0.0008	793 - 812	1.6855	1.6818	1.6822	-1.3	1.6868	-1.5	1.7085	-1.7	-
Philippines	(Peso)	27.0000	-0.1	000 - 000	27.2000	26.8000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	+0.0001	503 - 506	3.7506	3.7502	3.7511	-0.2	3.7531	-0.3	3.7658	-0.4	-
Singapore	(S$)	1.5287	+0.0012	282 - 292	1.5374	1.5270	1.528	0.6	1.5277	0.3	1.5297	-0.1	-
S Africa (Com.)	(R)	3.6583	+0.0145	555 - 570	3.6575	3.6420	3.6718	-5.1	3.7001	-4.8	3.7768	-3.3	-
S Africa (Fin.)	(R)	4.7400	+0.015	300 - 500	4.7500	4.7300	4.7737	-8.5	4.8325	-7.8	-	-	-
South Korea	(Won)	807.250	-2.45	000 - 500	809.600	807.000	810.25	-4.5	813.75	-3.2	832.25	-3.1	-
Taiwan	(T$)	27.0378	-0.012	355 - 400	27.0505	27.0350	27.0578	-0.9	27.0978	-0.9	-	-	-
Thailand	(Bt)	25.0700	-0.03	600 - 800	25.0900	25.0500	25.1425	-3.5	25.27	-3.2	25.75	-2.7	-

†SDR rate for Jun 20. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jun 20. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jun 21		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.08	16.60	4.857	2.007	4796	5.445	21.12	504.0	404.8	23.39	4.095	1.974	4.214	3.033	307.1	2.532
Denmark	(DKr)	52.42	10	8.702	2.546	1.052	2514	2.854	11.07	264.2	212.2	12.26	2.146	1.034	2.209	1.590	161.0	1.327
France	(FFr)	60.24	11.49	10	2.926	1.209	2889	3.280	12.72	303.6	243.8	14.09	2.467	1.189	2.538	1.827	185.0	1.525
Germany	(DM)	20.59	3.928	3.418	1	0.413	987.4	1.121	4.348	103.8	83.34	4.815	0.843	0.406	0.868	0.625	63.23	0.521
Ireland	(I£)	49.82	9.505	8.271	2.420	1	2389	2.713	10.52	251.1	201.7	11.65	2.040	0.983	2.099	1.511	153.0	1.262
Italy	(L)	2.085	0.398	0.346	0.101	0.042	100.	0.114	0.440	10.51	8.440	0.488	0.085	0.041	0.088	0.063	6.403	0.053
Netherlands	(Fl)	18.37	3.504	3.049	0.892	0.369	880.8	1	3.878	92.57	74.34	4.295	0.752	0.362	0.774	0.557	56.40	0.465
Norway	(NKr)	47.36	9.035	7.862	2.300	0.950	2271	2.579	10	238.7	191.7	11.07	1.939	0.935	1.995	1.436	145.4	1.199
Portugal	(Es)	19.84	3.785	3.294	0.964	0.398	951.4	1.080	4.190	100.	80.31	4.640	0.812	0.392	0.836	0.602	60.92	0.502
Spain	(Pta)	24.71	4.713	4.101	1.200	0.496	1185	1.345	5.217	124.5	100.	5.778	1.012	0.488	1.041	0.749	75.87	0.626
Sweden	(SKr)	42.76	8.158	7.099	2.077	0.858	2051	2.328	9.030	215.5	173.1	10	1.751	0.844	1.802	1.297	131.3	1.083
Switzerland	(SFr)	24.42	4.659	4.054	1.186	0.490	1171	1.330	5.157	123.1	98.84	5.711	1	0.482	1.029	0.741	74.99	0.618
UK	(£)	50.67	9.667	8.412	2.461	1.017	2430	2.759	10.70	255.4	205.1	11.85	2.075	1	2.135	1.537	155.6	1.283
Canada	(C$)	23.73	4.528	3.940	1.153	0.476	1138	1.292	5.012	119.6	96.07	5.550	0.972	0.468	1	0.720	72.88	0.601
US	($)	32.97	6.290	5.473	1.601	0.662	1581	1.795	6.962	166.2	133.4	7.710	1.350	0.651	1.389	1	101.2	0.835
Japan	(Y)	325.6	62.13	54.06	15.82	6.536	15617	17.73	68.77	1641	1318	76.16	13.34	6.427	13.72	9.878	1000.	8.246
Ecu		39.49	7.535	6.557	1.918	0.793	1894	2.150	8.340	199.1	159.9	9.236	1.617	0.779	1.664	1.198	121.3	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

EMS EUROPEAN CURRENCY UNIT RATES

Jun 21	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. Ind.
Netherlands	2.19672	2.15671	+0.00182	-1.82	5.69	-
Ireland	0.808628	0.794229	-0.000398	-1.78	5.54	12
Belgium	40.2123	39.6098	+0.0224	-1.50	5.24	11
Germany	1.94964	1.92431	+0.00175	-1.30	5.03	-
France	6.53883	6.57356	-0.00029	0.53	3.12	-4
Denmark	7.43679	7.55160	-0.00217	1.54	2.09	-11
Portugal	192.854	199.574	-0.401	3.48	0.17	-23
Spain	154.250	159.901	-	3.66	0.00	-26
NON ERM MEMBERS						
Greece	264.513	291.145	+0.116	10.07	-5.82	-
Italy	1793.19	1897.65	-7.39	5.83	-2.04	-
UK	0.786749	0.780472	-0.000529	-0.80	4.50	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6243	0.6238	-0.0008	0.6247	0.6213	38,578	77,786
Dec	0.6225	0.6240	-0.0011	0.6240	0.6218	809	1,856
Mar	-	0.6257	-	-	-	3	684

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.9873	0.9880	-	0.9895	0.9844	26,114	54,588
Dec	0.9928	0.9945	-0.0007	0.9945	0.9920	803	2,363
Mar	-	1.0018	-	-	-	27	393

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jul	Aug	Sep	PUTS Jul	Aug	Sep
1.450	8.45	8.42	8.50	-	0.03	0.24
1.475	6.05	6.16	6.41	-	0.20	0.57
1.500	3.74	4.07	4.54	0.18	0.60	1.11
1.525	1.88	2.42	2.97	0.76	1.38	2.02
1.550	0.68	1.24	1.82	2.06	2.63	3.30
1.575	0.17	0.55	1.02	3.98	4.42	4.97

Previous day's vol., Calls 18,453 Puts 50,246 . Prev. day's open int., Calls 453,916 Puts 384,637

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.7409	0.7412	-0.0002	0.7415	0.7375	19,164	47,780
Dec	0.7392	0.7420	-0.0012	0.7420	0.7392	407	1,099
Mar	-	0.7444	-	-	-	1	5

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5332	1.5350	-0.0002	1.5364	1.5326	9,918	38,446
Dec	1.5330	1.5330	-0.0002	1.5330	1.5320	132	348
Mar	-	1.5318	-	-	-	1	16

WORLD INTEREST RATES

MONEY RATES

June 21	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	5⅛	5¼	5¼	5⅞	6⅛	7.40	4.50	-
week ago	5¼	5⅜	5¼	5⅜	5⅞	7.40	4.50	-
France	5½	5½	5⅜	5¾	6⅛	5.30	-	6.75
week ago	5½	5½	6½	5¾	5⅞	5.30	-	6.75
Germany	5.05	5.03	5.00	5.00	5.15	6.00	4.50	5.05
week ago	5.05	5.03	5.03	5.03	5.08	6.00	4.50	5.10
Ireland	5⅜	5¼	5⅜	5¾	6¼	-	-	6.25
week ago	5⅜	5¼	5⅜	5¾	6¼	-	-	6.25
Italy	8¼	8¼	8¼	8⅜	9¼	-	7.00	7.60
week ago	7⅞	8¼	7¾	8	8¾	-	7.00	7.60
Netherlands	4.97	5.01	5.03	5.09	5.26	-	5.25	-
week ago	5.08	5.01	5.04	5.06	5.22	-	5.25	-
Switzerland	4	4⅜	4¾	4½	4¾	6.625	3.50	-
week ago	3⅞	4⅜	4¼	4⅜	4¾	6.625	3.50	-
US	4⅜	4¼	4⅜	4⅞	5⅜	-	3.50	-
week ago	4⅜	4¼	4⅜	4⅞	5¼	-	3.50	-
Japan	2¼	2¼	2⅜	2¼	2⅜	-	1.75	-
week ago	2¼	2¼	2⅜	2¼	2½	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	4¾	4⅞	5	5⅝	-	-	-
week ago	-	4⅝	4⅝	4⅞	5½	-	-	-
US Dollar CDs	-	4.20	4.44	4.78	5.40	-	-	-
week ago	-	4.20	4.37	4.69	5.29	-	-	-
SDR Linked Ds	-	3½	3⅜	3¾	4	-	-	-
week ago	-	3½	3⅜	3¾	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅞; 3 mths: 6 ; 6 mths: 6¼; 1 year: 6⅝. $ LIBOR Interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.04	95.04	-	95.06	95.01	20689	192655
Dec	94.78	94.78	-	94.81	94.76	28706	201367
Mar	94.45	94.46	+0.01	94.50	94.43	22053	197134
Jun	94.05	94.05	-0.01	94.10	94.02	16127	105606

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

* LIFFE futures traded on APT

UK INTEREST RATES

LONDON MONEY RATES

Jun 21	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5 - 3½	4 [illegible] - 4¾	5 - 4⅞	[illegible]	5½ - 5⅜	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	5 - 4⅞	5 - 4⅞	-
Local authority deps.	[illegible]	[illegible]	5 - 4⅞	[illegible]	[illegible]	[illegible]

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

BASE LENDING RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jun 21 / Sch)

BELGIUM/LUXEMBOURG (Jun 21 / Frs.)

DENMARK (Jun 21 / Kr)

FINLAND (Jun 21 / Mkk)

FRANCE (Jun 21 / Frs.)

GERMANY (Jun 21 / Dm.)

ITALY (Jun 21 / Lire)

NETHERLANDS (Jun 21 / Fls.)

NORWAY (Jun 21 / Kroner)

SPAIN (Jun 21 / Pts.)

SWEDEN (Jun 21 / Kronor)

SWITZERLAND (Jun 21 / Frs.)

PACIFIC

JAPAN (Jun 21 / Yen)

AUSTRALIA (Jun 21 / Aust$)

HONG KONG (Jun 21 / H.K.$)

MALAYSIA (Jun 21 / MYR)

SINGAPORE (Jun 21 / S$)

NORTH AMERICA

CANADA

TORONTO (Jun 21 / Can $)

4 pm close

MONTREAL (Jun 21 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Jun 21 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). ø Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Tuesday, June 21, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Mitsubishi Oil	23.9m	1,050	+50	Toshiba	4.3m	820	-18
Mitsubishi Hvy	7.6m	771	-11	Nippon Steel	4.0m	350	-1
Hitachi	6.3m	1,040	-20	Fujitsu	4.0m	1,120	-20
Oki Electric	6.2m	786	-22	S'tomo Metal Mng	3.9m	988	-10
NEC	5.0m	1,240	-30	Isuzu Motors	3.5m	531	-14

INDICES

US INDICES

Dow Jones

■ RATIOS

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

■ NEW YORK ACTIVE STOCKS

■ TRADING ACTIVITY

■ CAC-40 STOCK INDEX FUTURES (MATIF)

Open interest figures for previous day.

~ Sat Jun 18 : Taiwan Weighted Price (c) ; Korea Comp Ex 926.19. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 28 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jun 21 - 1987.06 -29.34

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

4 pm close June 21

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17⅜	14⅛	AAR	0.48	3.2	495	61	15	14¾	14⅞	+⅛
16⅞	13¼	A L Labs A	0.18	1.3	32	165	13⅞	13¾	13⅞	
66½	57⅝	AMP	1.68	2.6	23	6135	u67	66⅛	66¾	+½
72¾	52⅛	AMR			29	3778	58⅝	57⅞	58⅛	-½
5	3⅝	ARX			14	322	4¼	4⅛	4⅛	-⅛
58⅛	38⅝	ASA	2.00	4.4	30	3237	46	44⅞	45⅞	+1
31⅞	25⅝	AbbtL	0.76	2.5	17	14617	30	29½	29⅞	+¼
13¾	11⅞	Abitibi Pr	0.50	4.2	8	7	12⅛	12	12	-⅛
23⅝	17¾	ABM Ind	0.52	2.3		581	23½	22¾	22⅞	-½
13¾	11⅛	Acptncein			24	66	13	13	13	-¼
31	24½	ACE Ltd	0.44	1.8	4	1030	25¼	24¾	24¾	-½
12½	10⅛	ACM Gvt In	1.09	9.7		535	11¼	11¼	11¼	+⅛
10⅛	7⅞	ACM GvOpp	0.80	9.8		332	8⅜	8⅛	8⅛	-¼
10⅝	8⅝	ACM Gvt Sp	0.96	11.1		940	8⅞	8⅝	8⅝	-¼
12	9⅛	ACM Gvt Se	1.09	10.9		812	10⅛	10	10	-⅛
11¾	8¾	ACM Man	1.08	10.9		620	9⅞	9⅝	9⅞	+⅛
9¼	8	ACM Managd	0.72	8.5		37	8½	8½	8½	
15½	8¾	AcmeClv	0.44	4.2	12	167	10⅝	10⅜	10½	-⅛
9¼	6⅝	Acme Elect			4	198	6¾	d6½	6½	-¼
28¾	23	Acordia	0.60	2.1	14	4	28½	28½	28½	+¼
9⅜	5¾	Actava	0.36	4.3	2	425	8¾	7¾	8⅜	-½
15⅞	11¼	Acuson			107	391	14½	14	14	-⅜
18⅜	16½	Adams Expr	0.48	2.8	0	169	17⅜	17¼	17¼	-⅛
64	46½	Ad Micro	3.00	5.8		242	53	51⅞	52	-1⅜
31¾	18¾	AdvMic	3.00	12.1	10	8532	25⅜	24¾	24¾	-¾
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4 pm close June 21

NYSE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
Continued from previous page										
18½	13⅝	SStyM x	0.36	2.1	10	2064	18	17½	17½	-¼
27	19¼	Safeway			24	950	24⅝	24⅛	24⅝	-⅛
6⅛	4⅞	SafewayWt96				40	5¾	5⅝	5⅝	-⅛
57⅞	50¼	StJoePaper x	0.30	0.4	279	28	54¼	53⅞	53⅛	-⅜
30¼	26½	StJoeL&P	1.80	6.5	13	56	28	27½	27½	-½
45	37¾	StPaul	1.50	3.8	3	858	39⅞	38⅞	39	-½
9⅜	6⅛	Salant Crp			8	152	6½	6½	6½	-⅛
49⅞	37⅞	Sallie Mae	1.40	3.6	7	2652	38⅞	38½	38⅝	
13⅞	11⅞	Salomon Br	0.28	2.3		271	12½	12⅜	12⅜	-⅛
52¾	44¾	Salomn x	0.64	1.3	6	5625	49⅛	48⅝	48¾	+⅛
25	18	SnDgGE	1.52	8.4	9	2888	18⅜	d17⅝	18	
10	7½	SantaFeERs	0.16	1.7	9	1627	9⅝	9⅜	9⅝	
40	34½	SantaFePac	2.80	8.1	16	91	35	d34½	34⅝	-¼
26¼	19¾	SanFeP	0.10	0.5	12	6117	22	21½	21⅞	-⅛
26	20⅛	SaraLee	0.64	2.9	14	10878	22½	21⅞	22	-½
50⅛	42¼	Scana Corp	2.82	6.5	11	689	44½	43½	43½	-1
20½	13½	Sceorp	1.00	7.4	9	12307	13¾	d13½	13½	-¼
40½	34¼	SchrmbRP			25	1773	35¼	d33⅝	34	-1¼
69⅞	54½	SchPl	2.04	3.2	15	8306	64⅜	63¼	63¾	
61½	50¾	Schlmb	1.20	2.0	25	16536	60⅜	59⅞	60	+⅜
33⅞	25¼	Schwab(C)	0.28	1.0	12	3552	27¼	26⅝	26¾	-⅜
10¾	6⅛	Schwitzer			21	56	7⅞	7⅝	7⅝	-¼
38⅜	24⅞	SciAtl	0.12	0.3	70	2333	36½	34¾	35	-1¼
16⅞	13⅛	Scotman	0.10	0.7	13	182	14⅜	14⅛	14⅛	-⅛
53¾	37¼	ScottP	0.80	1.5	13	5632	52⅞	51¾	52⅜	-¼
28⅝	18⅝	ScuddrNAsF	0.21	0.9		98	23	22⅝	22¾	-¼
12⅝	9⅝	ScudrNEuF	0.16	1.6		680	9⅞	9¾	9⅞	+⅛
18¼	13½	SeaCnB	0.70	4.4	7	22	15¾	15¾	15¾	-½

NASDAQ NATIONAL MARKET

4 pm close June 21

AMEX COMPOSITE PRICES

4 pm close June 21

AMERICA

Dow tumbles as dollar hits fresh lows

Wall Street

US stocks tumbled yesterday morning as the dollar briefly hit an all-time low against the yen, *writes Frank McGurty in New York.*

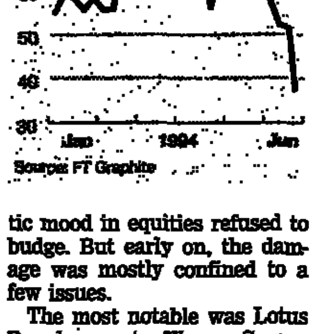
By 1 pm the Dow Jones Industrial Average was 40.27 lower at 3,701.63, as it struggled to recover from a 44-point fall at midday. The more broadly based Standard & Poor's 500 was off 4.98 at 450.50 in moderate activity.

In the secondary markets, the American SE composite receded 3.96 to 432.23, but the Nasdaq composite, which is dominated by computer-related stocks, suffered the sharpest setback on the heels of a profits warning by Lotus Development.

After opening the week with a 1.2 per cent decline, the index dropped a further 10.31 or 1.4 per cent to 708.54. After two big sell-offs in a row, the pessimistic mood in equities refused to budge. But early on, the damage was mostly confined to a few issues.

Lotus Developments

Share price ($)



Source: FT Graphite

The most notable was Lotus Development. The software company plunged $14¼, or about 27 per cent, to $37¼. At least one Wall Street securities house, Merrill Lynch, lowered its rating on the stock after the company's announcement that its second-quarter results would disappoint Wall Street.

For most of the morning, the broad range of equities drifted lower in lacklustre activity, as the day's economic news elicited little reaction. The Commerce Department said that the US trade deficit had widened in April to $8.4bn, from a revised March figure of $6.87bn. The April data, which exceeded the consensus forecast of $7.68bn suggested a slower pace of economic growth during the month.

But the focus of the market was still fixed on the foreign exchange markets, After drifting lower in early activity, the dollar suddenly lurched below Y100 just after midday. The action triggered a fresh decline in bond prices, and a wave of program-guided selling in equities.

Among the Dow industrials, the cyclicals were the chief culprits. Caterpillar, which was facing a strike by 14,000 employees represented by the United Auto Workers union, was marked down $3¼ to $104¼. General Motors lost $1⅛ to $53⅛.

Mascotech, a supplier of motor vehicle components, dropped $2⅛ to $14⅛. Mr Jack Kirnan, the Salomon Brothers analyst, had lowered his rating on the issue after the company indicated that earnings were likely to come in at the low end of forecasts.

Takeover news, or rather the lack of it, also had an impact on share prices. Quaker Oats plunged $8¼ to $73½ after Nestlé denied speculation that it had plans to acquire the US food group.

US Healthcare slumped $3¼ to $39¼, giving back more than it had gained the previous session on expectations that a merger agreement with Johnson & Johnson was imminent.

On the Nasdaq, many technology issues followed Lotus in a downward spiral, with some analysts identifying the profits warning as another sign of flagging demand in the industry. Wellfleet dropped $1⅛ to $23¼ and Oracle lost $1⅛ to $34⅛.

The selling spilled over into Big Board issues, as well. Texas Instruments shed $2 to $74¼ and Micron Technology $1⅞ to $30⅞.

Canada

Toronto fell 2.1 per cent to its low for the year at noon, the TSE-300 composite index losing 86.15 to 4,002.23 in volume of 35.2m shares. Declines outpaced advances by 499 to 161 with 274 issues remaining unchanged.

All 14 sub-sectors fell with the most ground lost by consumer products, financial services, conglomerates and communications.

Royal Bank fell C$⅜ to C$25⅛, Seagram lost C$1 to C$40⅞, Imasco dipped C$⅜ to C$32⅛ and Alcan gave up C$⅝ to C$31.

Rogers Communications B gave up C$⅝ to C$18¼ after Monday's gains which followed news of its sale of Maclean Hunter's US cable television assets. Torstar dipped C$⅜ to C$23 and Thomson was C$⅜ lower at C$14⅞.

Brazil slides 1.5 per cent in reaction to inflation forecasts

Equities in São Paulo had fallen 1.5 per cent by midday as the market also took its cue from Wall Street. The Bovespa index was down 485 to 31,894 at the midsession mark, having edged as high as 32,885 at the opening. Turnover was estimated at Cr293.5bn ($122m).

One negative influence on trading was an upward revision of inflation forecasts, to 50 per cent from 48 per cent.

Most blue chips were off at midday, with Telebras preferred down 1.1 per cent at Cr89.01, Eletrobras preferred falling 1.75 per cent to Cr505, and Petrobras preferred 3.2 per cent cheaper at Cr242.

Mexico

Mexico opened slightly weaker, reflecting losses on Wall Street. In early trading the IPC index of the 37 major shares was down 6.90, or 0.3 per cent, at 2,276.71.

On Monday the market lost 1.2 per cent.

The ADRs of Telmex were down $⅜ at $57⅛ and the "L" shares available to foreign investors declined 0.8 per cent to 9.7 pesos.

The only advancing stock was textile and chemicals manufacturer Cydsa, which had gained 0.5 per cent.

EUROPE

Scant comfort from strategists as bourses fall

Strategists who had picked on the potential ills of European bourses in recent months had little comfort to offer after yesterday's showing, writes Our Markets Staff.

Mr Sushil Wadhwani of Goldman Sachs, who recommended commodities as an investment last October, said bourses could go higher on a six-month horizon, but that significant near-term risks remained.

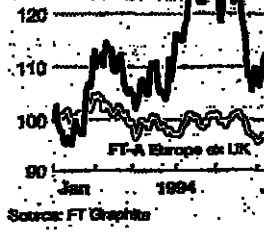
Mr Albert Edwards of Kleinwort Benson, who has made commodity price rises, and their effect on inflation, one plank in his argument against global equities in general and Continental bourses in particular, was still bearish last night.

Mr Edwards's keynote yesterday was dollar weakness, pushing US bonds still lower and European bonds and equities down after them. He expected this to continue, especially since gold bullion seemed to be pushing towards $400 an ounce. "This impacts directly on to US inflationary worries," he said. "In addition, the US Federal Reserve has said that it is monitoring the gold price ahead of its next decision on short-term interest rates."

FRANKFURT did not trust Monday afternoon's partial recovery, but it incorporated most of it during the official session, the Dax index closing 14.45 higher at 1,983.27. However, as analysts forecast on Monday, the Dax went on to test the support level of 1,950 again, closing yesterday's post-bourse at 1,957.08.

Mediobanca

Share price and index rebased



Source: FT Graphite

Turnover eased from DM8.9bn to DM8.3bn. Mr Edgar Benischek, head of trading at Bank Julius Bär in Frankfurt, said that equities, again, were driven by weakness in US bonds and their effect on the German bund future which, at worst, was another 35 basis points lower late yesterday afternoon.

The big three banks put in a weak or relatively weak showing, especially Commerzbank, which fell DM7 to DM305 on the session and another DM5.40 to DM299.60 in the post-bourse. Rumours have been moving around the sector about involvement with derivatives losses at the flooring company, Balsam, Germany's latest corporate disaster, and yesterday it was apparently Commerzbank's turn to be linked with the story.

FT-SE Actuaries Share Indices

Jun 21 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1313.49	1313.49	1317.06	1315.19	1315.07	1315.76	1304.75	1303.48
FT-SE Eurotrack 200	1354.57	1357.40	1358.57	1355.27	1355.63	1357.05	1345.50	1345.33

THE EUROPEAN SERIES	Jun 20	Jun 17	Jun 16	Jun 15	Jun 14
FT-SE Eurotrack 100	1306.43	1360.34	1355.76	1378.41	1383.94
FT-SE Eurotrack 200	1351.80	1389.87	1393.07	1409.06	1413.81

Base 1000 (26/10/90); Highday: 100 - 1318.09; 200 - 1358.41 Lowday: 100 - 1303.35 200 - 1343.38

PARIS resisted the downtrend until the afternoon when signals from London that US bonds were weakening, and liable to slip back further provided the incentive for investors to sell. The CAC-40 index dipped 12.26 to 1,890.78, in turnover of some FFr4bn.

Brokers said that there had been relative calm in the morning, with few institutional investors wanting to deal until indications emerged on the direction of the US. But when the Matif began to slide equities were soon to follow, although the CAC pulled back from a session low of 1,878.

The equity market has fallen more than 10 per cent in this current account period which ends tomorrow.

There were few corporate features on a day heavily influenced by outside events, although Eurotunnel lost a further FFr1.35 to FFr23.85 ahead of the close of its rights issue.

MILAN staged a technical bounce, the Comit index rising 7.0 to 678.63 although continuing worries on the economic outlook restricted trading mostly to domestic investors.

The market drew some comfort from data suggesting that June inflation would ease to 3.7 per cent from 4.1 per cent in May, and comments from the prime minister, Mr Silvio Berlusconi, that he saw no reason for higher interest rates.

Mediobanca picked up L239 to L14,650 after Monday's 4.9 per cent fall. The postponement of its planned rights issue was expected to help the market digest other current cash calls.

Luxury hotel group Ciga rose L35 to L1,105 amid renewed speculation that Sheraton, currently the largest shareholder, will raise its stake.

AMSTERDAM retreated 1.6 per cent as the AEX index fell through the 380 technical support level to close the session off 6.15 at 376.69. Turnover was reported to have been low.

Equities took their cue from options again; brokers also noted that negative sentiment took hold in the absence of any major corporate news. The Dutch brokers, MeesPierson, hoped that the publication of second quarter company results later this summer would provide a stimulus for the market's recovery.

The chemical and publishing sectors bore the brunt of the day's weakness with Akzo, for example, off Fl 3.10 at Fl 196.70 and Elsevier slipping Fl 1.60 to Fl 153.40.

Polygram provided a rare chink of light, rising 30 cents to Fl 74.20, as it benefited from a court judgement in London which found that the singer, George Michael, could not break his contract with Japanese company, Sony.

MADRID offered an early and tentative recovery but wilted in the afternoon on the weakness of the dollar.

The general index finished 5.62, or 1.9 per cent, weaker at a new 1994 closing low of 296.98.

Turnover stayed high at around Pta54bn, but this time a third of that total was attributed to block trades in Bankinter, linked to plans to cancel the bank's holdings of its own stock.

Severe weakness was seen in the construction group, FCC, strong recently after an initally unenthusiastic response to the company's capital raising plans; FCC fell Pta790 to Pta13,760, and Gas Natural by Pta470 to Pta9,900.

ZURICH gave up an early, 37 point gain to finish flat on futures-led selling, with the weak dollar and Wall Street's early performance undermining the mood. The SMI index lost 0.8 at 2,544.2.

Banks, under pressure in recent days on the uncertain outlook for interest rates, put in a steadier performance. SBC rose SFr10 to SFr373.

Elektrowatt gave up SFr8 to SFr346 in response to first half figures that were below expectations, and as James Capel revised down estimates for 1994 and 1995 earnings.

WARSAW plunged to its lowest level since last October in shrinking volume, brokers said, with no institutional demand being seen from either domestic or foreign investors.

The all-share Wig index fell 483.2 or 6.1 per cent to 7,410.6 as turnover fell nearly 30 per cent.

Written and edited by William Cochrane, John Pitt and Michael Morgan

ASIA PACIFIC

Region severely affected by the global downtrend

Tokyo

The sharp fall in international stock and bond prices dampened confidence, and the Nikkei 225 average dropped 1.6 per cent to below the 21,000 level for the first time since June 6, *writes Emiko Terazono in Tokyo.*

The index surrendered 338.87 at 20,813.16 on profit-taking and arbitrage selling, having opened at the day's high of 21,076.22 before falling through 21,000 in early trading. It hit a low of 20,759.45 just before the close.

The Topix index of all first section stocks plunged 20.50 to 1,663.97, while the Nikkei 300 shed 4.12 to 301.52. Declines led gainers by 948 to 130, with 118 issues unchanged.

Volume dipped to 380m shares from 416m as most investors remained inactive as the yen strengthened against the dollar. In London the ISE/Nikkei 50 index eased 0.83 to 1,354.17.

Dealers and arbitrageurs liquidated index-linked positions, while some domestic institutions and foreigners were seen bargain hunting around the day's lows.

A Japanese broker said the Nikkei 225 appeared to have found technical support around 20,900, but he added that the next support level was around the 75-day average of 20,260.

High-technology issues continued to face selling on worries over the yen's appreciation. NEC declined Y30 to Y1,240 and Sony Y120 to Y6,160. Automobile stocks were also weak, with Toyota Motor receding Y30 to Y2,170 and Honda Motor Y40 to Y1,890.

Mitsubishi Oil, the day's most active issue, bucked the trend by rising Y50 to Y1,050. Reports that it had discovered oil off the coast of Vietnam prompted active buying.

The rise in long bond yields hurt interest rate-sensitive utility shares. Electric power companies were among stocks hitting lows for the year, with Chubu Electric Power down Y30 to Y2,580 and Kansai Electric Power off Y20 at Y2,570.

Large-capital issues were down on profit-taking. Mitsubishi Heavy Industries slipping Y11 to Y771.

The rise in gold and other metal prices supported Hitachi Metals, which gained Y20 at Y1,210. But Sumitomo Metal Mining, which has been rallying on the same theme, lost Y10 at Y988 on profit-taking.

In Osaka, the OSE average retreated 343.69 to 23,217.22 in volume of 131.5m shares.

Roundup

Weakness in bonds around the world depressed most of the equity markets in the region. Bombay and Karachi were closed for public holidays.

HONG KONG fell for the second straight day on rising US long bond yields and news that Hongkong and Shanghai Banking was considering a further tightening of its mortgage lending rules. The Hang Seng index ended 140.40, or 1.6 per cent, lower at 8,857.78 in thin turnover of HK$2.6bn.

The property sector led the losses, its sub-index dropping 2.4 per cent. Cheung Kong shed 50 cents to HK$34.75 and Sun Hung Kai Properties HK$1.75 to HK$46.

HSBC Holdings finished the day unchanged at HK$85.

SYDNEY fell through the 2,000 level to end with the All Ordinaries index 30.8 lower at 1,993.6. Brokers blamed the dramatic drop on the bond market, amid inflationary fears.

Commonwealth bonds moved down to their lowest levels in 27 months yesterday. The September 2004 T-bond was yielding 9.81 per cent late in the afternoon, up from 9.61 per cent previously.

Equity turnover amounted to A$664m. Bridge Oil topped the activity charts with 13.37m shares changing hands. The takeover target closed steady at 85 cents.

SINGAPORE and KUALA LUMPUR reflected overnight falls in US and European markets. The Straits Times Industrial index relinquished 22.63 to 2,261.87 and the KLSE composite index slid 24.00, or 2.3 per cent, to 1,011.46. In Singapore, a trader said speculators sold out. In Kuala Lumpur, dealers said some institutions were trimming their portfolios to avoid over-exposure.

TAIPEI dropped below the 6,000 support level on a weak financial sector and bearish international markets, the weighted index losing 89.44, or 1.5 per cent, at 5,948.97. Turnover shrank from T$57.7bn to T$46.7bn.

In financials, which led last week's gains and were hit by heavy profit-taking, China Trust shed T$2 to T$65.50.

MANILA bemoaned Philippine Long Distance Telephone's weakness in New York as the composite index receded 40.09 to 2,814.59. Turnover rose from 507.2m to 895.4m pesos.

PLDT, the market heavyweight, following a $1⅞ fall to $61⅞ on Wall Street, closed slightly over one per cent lower at 1,675 pesos.

BANGKOK added domestic politics to more general concerns, worries about rifts in the ruling coalition helping the SET index fall 23.96, or 1.8 per cent, to 1,329.32.

COLOMBO bucked the trend, its all-share index making its first double-digit gain in five weeks to close 18.34 higher at 927.76, but brokers said the rise was not sustainable.

S African industrials drop as investors await budget details

Industrial stocks fell sharply amid continuing uncertainty in the world's financial markets and ahead of today's South African budget announcement. Brokers noted that a midsession recovery in industrials had proved unsustainable in line with weakness among European equities.

Gold shares were more active as they tracked the move in the price of bullion, which rose above $390 an ounce. The overall index ended 9 up at 5,721, industrials fell 26 to 6,594 and the golds index added 18 at 2,245.

De Beers and Anglos rebounded after early losses, reflecting an improvement of sentiment in mining-related stocks. De Beers gained R2.25 at R115 and Anglos closed R4 ahead at R238. Gencor slipped 15 cents to R11.95.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY JUNE 20 1994								FRIDAY JUNE 17 1994					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (69)	170.34	-0.9	164.06	109.80	141.57	163.54	-1.3	3.59	171.83	167.65	112.41	145.60	155.60	188.15	130.19	134.44
Austria (17)	182.46	-0.3	175.72	117.81	151.84	151.51	-2.5	1.05	182.94	178.49	119.66	155.02	155.42	195.41	142.90	145.73
Belgium (37)	167.50	0.4	161.31	107.96	139.21	138.15	-1.4	4.05	166.78	162.73	109.11	141.32	138.03	176.67	142.02	143.47
Canada (106)	123.53	-2.3	118.97	79.62	102.66	124.81	-1.9	2.72	126.46	123.40	82.74	107.17	127.24	145.31	121.46	126.95
Denmark (33)	253.12	-0.7	243.78	163.15	210.37	216.03	-2.5	1.96	254.92	248.72	166.77	216.01	221.46	275.79	207.56	214.44
Finland (24)	141.70	1.0	136.47	91.33	117.76	158.98	-0.7	0.90	140.24	136.83	91.74	118.83	160.08	158.72	85.54	87.61
France (97)	161.92	0.0	155.95	104.37	134.57	138.77	-1.7	3.23	161.90	157.97	105.92	137.19	141.22	185.37	149.60	161.20
Germany (58)	132.08	-1.7	127.20	85.13	109.77	109.77	-3.6	1.88	134.33	131.07	87.88	113.83	113.83	147.07	107.60	109.66
Hong Kong (56)	367.17	-1.0	353.62	236.67	305.16	364.31	-1.0	3.26	370.90	361.89	242.65	314.30	368.06	506.56	271.42	292.57
Ireland (14)	186.12	0.3	179.25	119.97	154.69	173.32	-1.1	3.50	185.56	181.05	121.40	157.24	175.26	209.33	155.98	159.27
Italy (80)	80.33	-2.4	77.36	51.78	66.76	94.92	-3.6	1.69	82.26	80.26	53.82	69.71	98.48	97.78	57.98	66.83
Japan (469)	165.05	0.1	158.96	106.38	137.18	106.39	-1.3	0.72	164.81	160.81	107.82	139.66	107.82	168.34	124.54	143.72
Malaysia (98)	484.93	-1.0	467.04	312.57	403.03	484.65	-0.9	1.66	489.72	477.82	320.36	414.98	489.31	621.63	312.51	338.91
Mexico (18)	1975.53	-0.7	1902.60	1273.35	1641.84	7267.12	-0.7	1.07	1989.04	1940.66	1301.24	1685.44	7321.17	2647.06	1481.06	1492.49
Netherland (27)	197.19	-0.6	189.91	127.10	163.89	161.39	-2.6	3.52	198.45	193.63	129.83	168.17	165.65	207.49	164.22	165.95
New Zealand (14)	68.63	-1.2	66.00	44.17	58.95	61.12	-1.8	3.91	69.39	67.70	45.39	58.80	62.24	77.59	48.80	49.10
Norway (23)	180.04	-1.4	173.40	116.05	149.63	169.63	-3.2	1.95	182.55	178.11	119.42	154.66	175.40	206.42	150.61	152.15
Singapore (44)	340.97	0.3	328.39	219.78	283.39	240.02	-0.1	1.76	340.06	331.80	222.47	288.16	240.32	378.92	242.48	253.20
South Africa (59)	283.94	-0.3	273.48	183.02	235.98	299.24	-1.0	2.15	284.68	277.76	186.24	241.22	296.16	284.68	175.93	195.92
Spain (42)	136.44	-0.6	131.40	87.94	113.39	137.81	-1.9	4.19	137.31	133.97	89.83	116.35	140.40	158.78	118.38	129.63
Sweden (36)	205.37	-1.9	197.80	132.38	170.69	234.63	-3.4	1.71	209.36	204.27	136.97	177.41	242.82	231.35	163.85	171.76
Switzerland (47)	155.28	-1.5	149.54	100.09	129.05	129.79	-3.1	1.87	157.68	153.84	103.15	133.61	133.97	176.56	124.46	125.12
United Kingdom (205)	186.54	-0.4	179.66	120.24	155.04	179.66	-1.7	4.18	187.28	182.71	122.51	158.68	182.71	214.96	170.32	175.03
USA (519)	185.66	-0.7	178.81	119.67	154.30	185.66	-0.7	2.89	186.91	182.36	122.28	158.39	186.91	196.04	179.95	181.18
EUROPE (720)	161.61	-0.8	155.64	104.17	134.31	147.27	-2.3	3.17	162.86	158.90	106.55	138.00	150.75	178.58	141.68	143.26
Nordic (116)	199.46	-1.1	192.10	128.56	165.77	196.58	-2.7	1.52	201.77	196.86	132.00	170.97	202.12	220.60	155.82	161.15
Pacific Basin (750)	172.38	0.0	166.02	111.11	143.27	115.83	-1.3	1.04	172.39	168.20	112.78	146.08	117.34	173.75	134.79	147.88
Euro-Pacific (1470)	167.72	-0.3	161.53	108.11	139.39	128.81	-1.7	1.90	168.25	164.16	110.07	142.57	131.14	170.78	141.98	145.87
North America (825)	181.81	-0.7	175.10	117.19	151.10	181.50	-0.7	2.88	183.16	178.71	119.82	155.20	182.82	192.73	175.67	177.93
Europe Ex. UK (515)	144.67	-1.0	139.33	93.25	120.23	127.87	-2.7	2.65	146.14	142.59	95.61	123.83	131.42	167.47	122.37	123.64
Pacific Ex. Japan (281)	246.08	-0.8	237.00	158.61	204.52	220.56	-1.0	2.90	248.16	242.19	162.35	210.26	222.86	298.21	182.38	188.84
World Ex. US (1653)	168.69	-0.4	162.47	108.73	140.20	132.21	-1.7	1.91	169.31	165.20	110.77	143.47	134.47	172.51	142.94	146.62
World Ex. UK (1967)	172.02	-0.5	165.67	110.88	142.96	145.70	-1.3	2.08	172.85	168.64	113.08	146.46	147.60	175.56	153.22	155.50
World Ex. So. Af. (2113)	172.63	-0.5	166.26	111.27	143.47	147.82	-1.3	2.26	173.46	169.24	113.48	146.98	149.81	178.56	155.00	157.07
World Ex. Japan (1703)	180.03	-0.8	173.38	116.04	149.62	172.83	-1.3	2.95	181.38	176.97	118.66	153.70	175.16	195.20	165.72	166.21
The World Index (2172)	173.32	-0.5	166.92	111.71	144.04	146.69	-1.3	2.26	174.14	169.91	113.92	147.56	150.69	178.97	155.17	157.23

Constituent changes 21/6/94; Name changes: AG Group to Fortis AG, AG Group A to Fortis AG (V V P R) (Belgium), AMEV to Fortis AMEV (Netherlands) and GIB A to GIB (V V P R) (Belgium). Latest prices were unavailable for this edition.